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CORPORATION OF THE FINE ARTS MUSEUMS

M.H. DE YOUNG MEMORIAL MUSEUM * CALIFORNIA PALACE OF THE LEGION OF HONOR

OFFICIAL MEETING NOTICE

Corporation of The Fine Arts Museums[1]
Executive Committee of the Board of Trustees

Thursday, March 9, 2000
12:30 p.m.[2]
Administrative Offices
233 Post Street, 6th Floor Conference Room
San Francisco, California

San Francisco, California

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AGENDA

I. Calling of the Meeting to Order - Mrs. Alfred S. Wilsey, President

II. Calling of the Roll

Trustees:

Alvin H. Baum, Jr.
Charles Crocker
Belva Davis
Mrs. Ray Dolby, Vice President/Annual Support
Richard P. Essey
Richard H. Finn, Vice President/Finance
Ms. Frankie Jacobs Gillette, Vice President/Civic Affairs
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Audience Development
J. Alec Merriam, Vice President/Collections
Nion T. McEvoy

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[1] The Corporation of The Fine Arts Museums (COFAM) is a private not-for-profit entity. However, notice of this COFAM meeting is being provided to the public because a majority of the City and County of San Francisco's Fine Arts Museums Executive Committee (FAMSF) may be present at this meeting. If a quorum of the FAMSF Executive Committee attends this COFAM meeting, the meeting will be conducted in compliance with the Brown Act.

[2] Or such earlier time as the Fine Arts Museums of San Francisco Executive Committee meeting ends, but in no event before 12:30 p.m.

II. Calling of the Roll (continued)

Trustees (continued):

Robert A. Mills
Steven MacGregor Read, Vice President/Facilities
Mrs. Harry H. Wetzel
Mrs. Alfred S. Wilsey, President

III. Report of the President - Mrs. Alfred S. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the January 13, 2000 Meeting of the Board of Trustees (See Appendix A) — **Action**

B. Report and Discussion of the *My de Young* Public Campaign to Build a New de Young Museum in Golden Gate Park — **Discussion**

1. Report on the New de Young Tower Fund-Raising Concept Proposed by Trustee Emerita Ruth Asawa — **Discussion**

C. Report and Discussion of the Conceptual Planning for a New de Young Museum in Golden Gate Park (See Appendix B) — **Discussion**

D. Other Informational Items — **Discussion**

IV. Report of the Chief Executive Officer - Harry S. Parker III

A. Report on COFAM Operating Budget as of January 31, 2000 (See Appendix C) — **Discussion**

B. Consideration and Possible Action Authorizing the Execution of a Lease for Space for a Temporary Education Program Site during the Period of Approximately Four Years when the de Young Museum is Closed to the Public — **Action**

C. Consideration and Possible Action to Approve the Amended Operating Guidelines of the San Francisco Auxiliary — **Action**

1. Members to be proposed each year by March 31 rather than November 1
2. Membership Committee to be formed in September, not May
3. New members to be introduced in May

D. Other Informational Items — **Discussion**

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V.	**Report of the Audience Development and Marketing Committee - Diane K. Lloyd-Butler, Chair and Vice President**	
	A. Presentation and Discussion of the Marketing Plan for the Period the de Young Museum is Closed to the Public (See Appendix D)	Discussion
VI.	**Report of the Nominating Committee - Nion McEvoy, Chair**	Discussion
VII.	**Report of the Annual Support Committee - Mrs. Ray Dolby, Vice President and Chair**	Discussion
VIII.	**Report of the Fine Arts Museums Foundation - Charles Crocker, President**	Discussion
IX.	**Adjournment - Mrs. Alfred S. Wilsey, President**	

Public Meeting Requirements Relating to Accessibility

The subsequent information is in compliance with the Americans with Disabilities Act (ADA); the following will be made available upon request:

1. American sign language interpreters
2. A sound enhancement system
3. An agenda of meeting available in alternative formats
4. A reader during the meeting

To arrange for the above services, please contact Judy Gough at (415) 750-3669 at least two working days prior to the meeting. Minutes of the meeting will be made in alternate formats upon request. Meeting agendas are available on the Fine Arts Museums of San Francisco website, *www.thinker.org.*

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, those attending public meetings are reminded that other may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

For access to 233 Post Street by BART, get off at the Montgomery Street Station. MUNI's wheelchair-accessible No. 38 line may also be taken to Geary and Stockton Streets, as well as wheelchair-accessible No. 2 line (east bound), which stops close to 233 Post Street. For more information about MUNI's accessible services, call (415) 923-6142. Accessible parking space (disabled-designated) is available at the Stockton-Sutter Parking Garage.

Accessible seating for persons with disabilities (including those using wheelchairs) will be provided. For Telecommunication Device for the Deaf (TDD), the Museums uses the California Relay Service.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force:

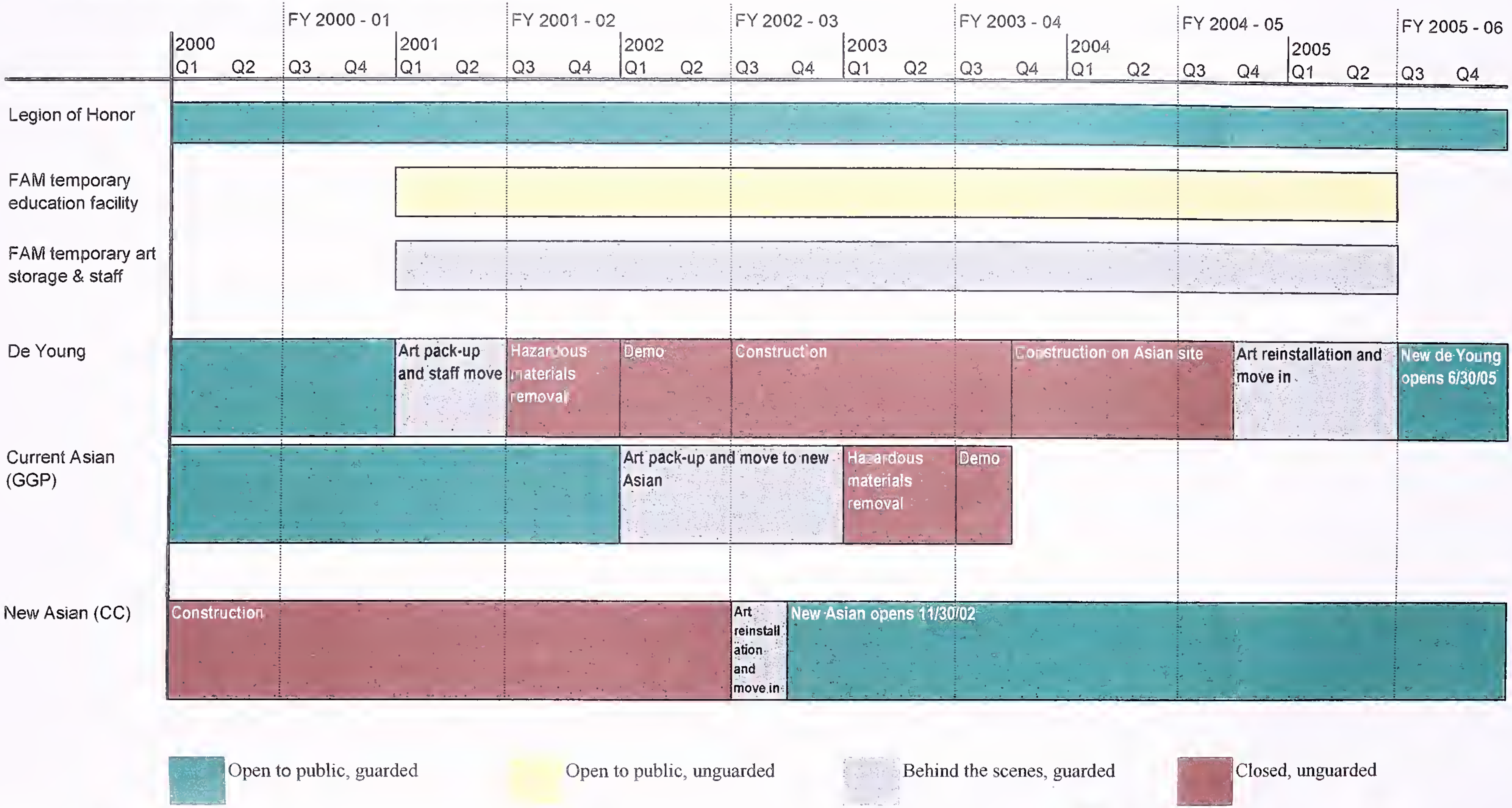
Rachel Arnstine O'Hara, Clerk
Sunshine Ordinance Task Force
City Hall, Room 362
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4683
Office: (415) 554-6171
Fax: (415) 554-6177
E-mail: Rachel_ArnstineO'Hara@ci.sf.c.us

Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.ci.sf.ca.us.

If you are unable to attend the meeting, you may submit written comments to Judy Gough, Fine Arts Museums of San Francisco, 233 Post Street, 6th Floor, San Francisco, CA, 94108.

Joint de Young / Asian Timetable

2/28/00



Appendix C

COFAM Budget Report For The Month Ended 31 January 2000

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Narrative	
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Exhibition Program	7
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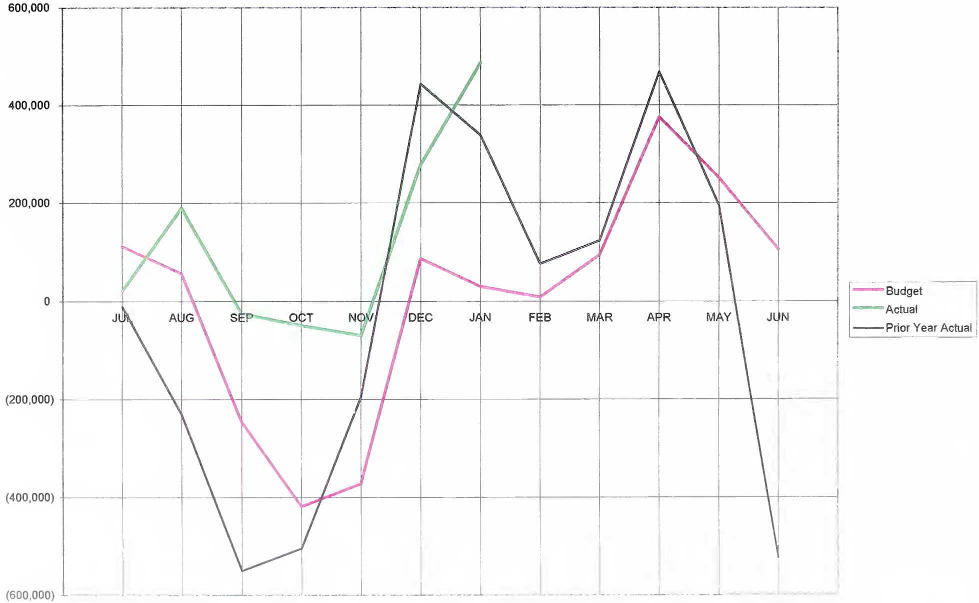
COFAM CUMULATIVE SURPLUS (LOSS) CHART
Fiscal Year Ending June 30, 2000



COFAM Operating Budget-In-Brief
Month Ended 31 January 2000

Overview

Cumulative seven month results were $486k compared to the $30k projected, owing to satisfactory revenues and expenses occurring slower than expected. A revised budget forecast will be finished by the April board meeting, detailing changes but still resulting in a balanced budget plan.

The COFAM Reserve was $2,252k at 1/31/00 versus $1,671k the month before. This gain is due to COFAM's strong operating results plus the receipt of the FAM Foundation's third quarter endowment support. At nearly $2.3 million, this is the highest the reserve has been in the current fiscal year. Board policy is to keep a $2 million reserve, which has been very difficult to attain with the de Young Museum drawing about half the visitors it used to.

Support & Revenue

The overall support level was very close to budget, with Annual Contributions down slightly in the Friends ($1k to $2.5k donors) and Business categories.

Total revenues tracked budget. The stores were ahead by $38k in gross profits with good performances in all areas. Thanks to the *Assisi*

exhibit, general admission income remained up $98k. And membership dues were on target. However, facilities rentals were off $113k. Business has slumped due to competition from the new City Hall and the recently-opened Regency Building on Van Ness Avenue. Also, Legion Court of Honor paver repairs have interfered with profitable courtyard tent rentals. The forthcoming revised budget forecast will take these factors into account and mark down rental income (and expenses).

Expenses

Cumulative personnel costs were $146k (4%) less than budget at 1/31/00 with underages across-the-board. But an increase in management and professional salaries during the second half of the fiscal year, coupled with higher workers' compensation insurance premiums, will offset current personnel cost savings and take these expenses somewhat higher than original budget.

Other expenses were $351k (11%) less than budget. Nonetheless, exhibit, administrative and operations costs will catch up later in the fiscal year, bringing these expenses much closer to budget.

# # #

COFAM FY 1999-00 Operating Budget At January 31, 2000 (7 Months -- 58.3% Of The Budget Year)

$ in thousands	(1)			(2)			(3)		(4)	
	January			7-Months						
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	% Actual To Budget	Actual Prior Year At 7 Months	
SUPPORT & REVENUE										
Support										
1) Annual Contributions	204	268	64	1,387	1,333	(54)	2,665	50%	1,539	See page 5.
2) Bequests and Major Unrestricted Gifts	0	0	0	0	0	0	0	0%	2	
3) Foundation Endowment Support	137	137	0	956	956	0	1,638	58%	744	
4) Specified Funds										
--Curatorial/Conservation	21	17	(4)	215	187	(28)	341	55%	267	
--Publications	0	0	0	80	90	10	85	106%	20	
--Exhibitions	2	2	0	135	187	52	320	58%	251	
--Education Programs	19	26	7	211	182	(28)	372	49%	143	
--General	12	8	(4)	39	46	7	97	47%	61	
Subtotal Specified Funds	54	54	(0)	679	693	13	1,216	57%	742	
5) COFAM Investment Income	10	12	2	68	87	19	140	62%	70	
Subtotal Support	405	471	67	3,090	3,069	(21)	5,659	54%	3,097	

COFAM FY 1999-00 Operating Budget At January 31, 2000 (7 Months -- 58.3% Of The Budget Year)

$ in thousands	(1)			(2)			(3)		(4)	
	January			7-Months						
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	% Actual To Budget	Actual Prior Year At 7 Months	
Revenue										
6) Museum Store Sales	89	97	9	953	1,134	180	2,203	51%	1,607	See page 6.
Less Discounts	(4)	(12)	(7)	(48)	(57)	(9)	(110)	52%	(87)	
Less Cost of Goods	(45)	(48)	(3)	(485)	(621)	(136)	(1,113)	56%	(844)	
Less Commissions and Royalties	(1)	(1)	(0)	(5)	(1)	3	(9)	13%	(27)	
Gross Profit	38	37	(1)	416	454	38	970	47%	649	
7) Facilities Rental Gross	43	33	(11)	461	348	(113)	720	48%	389	
8) Benefits Gross Income / Art Point	1	1	(0)	160	128	(32)	199	64%	37	
9) General Admissions COFAM Net	82	81	(1)	862	955	93	1,722	55%	1,073	
10) Food & Beverage Concession Fees	10	6	(4)	84	85	1	157	54%	109	
11) Exhibition Program Earned Income	0	11	11	10	41	31	236	17%	630	See pages 7 and 8.
14)FAM Membership Dues	294	347	53	1,715	1,713	(1)	2,789	61%	1,723	
15) Conservation Services	18	15	(3)	142	174	33	400	44%	114	
16) Miscellaneous										
--Development Trip Fees	0	0	0	63	32	(30)	213	15%	42	
--Publication Sales Net	6	(3)	(9)	39	32	(7)	68	47%	102	
--Other Fees	22	27	5	141	146	5	260	56%	227	
Subtotal Revenue	514	553	39	4,091	4,109	18	7,734	53%	5,095	
Total Support & Revenue	919	1,024	106	7,181	7,178	(3)	13,393	54%	8,192	

Museum Attendance:

January 2000: 35,984 visitors, 42.1% paid, budgeted - 40,000 visitors, 42.1% paid.
Year to Date: 409,909 visitors, 43.4% paid, budgeted - 369,545, 42.1% paid.

Membership:

Year to date: 28,631 dues paid members averaging $59.85 per member
compared to budgeted goals of 27,660 dues paid members averaging $61.99 per member.
Current active paying members = 52,482

$ in thousands

	(1)			(2)			(3)		(4)
	January			7-Months					
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	% Actual To Budget	Actual Prior Year At 7 Months
EXPENSES									
Personnel Expenses									
17) Curatorial									
Curatorial/Conservation/Education	183	225	42	1,325	1,318	(7)	2,378	55%	1,281
Project Funded Employees	48	7	(41)	334	291	(43)	595	49%	305
Exhibit Group	65	63	(1)	456	426	(29)	840	51%	472
Exhibit Program Temporary Labor	15	5	(10)	159	121	(37)	297	41%	160
18) Development									
Development - General	42	42	(0)	301	296	(5)	545	54%	294
Membership	29	30	1	207	193	(14)	376	51%	270
19) Administration									
Administration General	95	96	1	667	654	(13)	1,232	53%	691
Marketing and Communications	16	18	3	113	114	2	204	56%	156
Operations Group	24	23	(0)	168	162	(6)	305	53%	180
Stores	26	28	2	217	215	(2)	411	52%	295
Facilities Rental	6	6	0	41	50	9	73	68%	146
Subtotal Personnel	547	544	(3)	3,985	3,839	(146)	7,257	53%	4,250

$ in thousands

	(1)			(2)			(3)		(4)
	January			7-Months					
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	% Actual To Budget	Actual Prior Year At 7 Months
Other Expenses									
20) Curatorial									
Curatorial/Conservation/Education	59	39	(20)	380	323	(57)	709	46%	261
Publications	0	0	0	80	90	10	85	106%	2
Exhibit Group	11	8	(3)	69	43	(26)	132	32%	56
Exhibit Program	40	33	(7)	580	459	(121)	1,224	37%	1,082
21) Development									
Development - General	19	30	11	187	214	27	584	37%	268
Art Point	4	6	2	70	37	(34)	111	33%	71
Benefits	37	0	(37)	63	62	(1)	99	63%	8
Membership	66	28	(38)	260	281	21	462	61%	390
Magazine / Guide	7	14	7	172	153	(19)	337	45%	82
22) Administration									
Administration General	89	63	(26)	623	561	(62)	1,114	50%	589
Marketing and Communications	28	7	(21)	229	214	(15)	472	45%	195
Operations Group	52	46	(5)	353	328	(25)	620	53%	326
Stores	5	4	(1)	43	39	(4)	94	41%	84
Facilities Rental	35	11	(24)	126	82	(44)	199	41%	16
Subtotal Other Expenses	451	288	(162)	3,237	2,886	(351)	6,240	46%	3,429
City Partial Reimbursement for Education Program / Administration and Building Operation Expenses	(49)	(44)	5	(321)	(284)	37	(596)	48%	0
Total Expenses	949	788	(161)	6,901	6,442	(460)	12,901	50%	7,679
SUPPORT & REVENUE OVER EXPENSES	(30)	236	266	280	736	456	491	150%	513
EARLY RETIREMENT CHARGES	0	0	0	(61)	(61)	0	(61)	100%	0
LESS PLANT FUND DEPRECIATION	(27)	(27)	0	(189)	(189)	0	(325)	58%	(175)
THE BOTTOM LINE	(57)	209	266	30	486	456	105	461%	338

Appendix A - Annual Contributions Report -- Month Ending January 31, 2000 (58.3% Of The Budget Year)
$ in thousands

(1)	(2)			(3)				(4)	
Contribution Categories	January 2000 Actuals	Budget	January 1999 Actuals	Year To Date Budget	Actuals	Variance to Y-T-D Budget	Prior Year Actuals	Current Year Annual Goals	Current Year % of Annual Goals Achieved
1) Associates ($5,000 and up)	205	125	179	845	849	4	852	1,550	54.8%
2) Patrons ($2,500 - $5,000)	25	15	17	80	104	24	87	130	79.6%
3) Friends ($1,000 - $2,500)	34	45	30	245	219	(26)	266	475	46.1%
4) National Council/Other	0	5	5	35	18	(17)	40	60	29.5%
5) Mail Drive	2	0	25	2	4	2	132	105	4.2%
6) Phone Campaign	0	0	31	0	7	7	31	95	7.4%
7) Business	1	9	4	110	51	(59)	60	150	33.9%
8) Foundations	2	5	12	70	82	12	70	100	81.6%
	268	204	304	1,387	1,333	(54)	1,539	2,665	50.0%

Appendix "B" -- Stores Report: 6 Months Ended January 31, 2000
$ in thousands

	In House Merchandising				Outside Merchandising	
	(1) deYoung Store		(2) Legion Store		(3) Wholesale & Royalties	
	Budget	Actual	Budget	Actual	Budget	Actual
Sales	305	343	447	505	54	79
Discounts	(18)	(19)	(22)	(24)		
Cost of Goods	(155)	(203)	(219)	(261)	(34)	(44)
Commissions & Royalties	0	0	0	0	(5)	(0)
Gross Profit	131	121	206	220	16	35
Personnel Expenses	130	90	77	85	0	9
Other Expenses	21	24	8	9	2	0
Total Expenses	151	114	85	94	3	9
Gross Profit Over Expenses	(20)	7	120	126	13	26
Variance to Year To Date		26		6		13

	Exhibition Merchandising					
	(4) St Francis of Assisi Store		(5) O'Keeffe Store		(6) Grand Totals	
	Budget	Actual	Budget	Actual	Budget	Actual
Sales	148	208	0	0	953	1,134
Discounts	(7)	(14)	0	0	(48)	(57)
Cost of Goods	(77)	(115)	0	0	(485)	(622)
Commissions	0	(0)	0	0	(5)	(0)
Gross Profit	63	78	0	0	416	454
Personnel Expenses	10	32	0	0	218	215
Other Expenses	12	6	0	0	43	39
Total Expenses	22	37	0	0	261	254
Gross Profit Over Expenses	41	41	0	0	155	200
Variance to Year To Date		(1)		0		45

Schedule "F" -- Exhibition Program - Year 1 - FY 1999-2000

		Venue	(1) Runs		(2) Cost		(3) Gifts and Grants			(4) Income		(5) Nets	
					Original	Revised	Original	Revised		Original	Revised	Original	Revised
	In-House Exhibitions												
	de Young												
1	Theater and Dance Collection (for Nancy Baer) (118)	D	01-May-99	05-Sep-99	1,901	1,901						(1,901)	(1,901)
2	Saxe Collection (163)	D	26-Jun-99	17-Oct-99	22,713	22,713						(22,713)	(22,713)
3	Wedding Dresses from Permanent Collection (136)	D	01-Dec-99	01-Jun-00	6,181	6,181						(6,181)	(6,181)
4	Art for Elders	D	28-Sep-99	03-Oct-99	-	-						0	0
5	Herzog and de Meuron Model (128)	D	14-Oct-99	02-Jan-00	25,560	25,560	25,000	25,000	New de Young			(560)	(560)
6	The Wiedersparg Collection (189)	D	18-Dec-99	30-Jun-00	68,762	68,762						(68,762)	(68,762)
7	Artists investigate the de Young (Helfand) (187)	D	20-Nov-99	12-Mar-00	100,503	100,503	1,000	14,100	Frankel Gallery, Gallery Paul Anglim, Bransten Art Council			(99,503)	(86,403)
8	Narratives of African Am. Art: David Driskell (113)	D	20-Nov-99	13-Feb-00	49,464	49,464						(49,464)	(49,464)
9	Achenbach TBA (137)	D	Jan 22-00	15-Apr-00	9,472	9,472						(9,472)	(9,472)
10	Costumes (TBA) changed	D	01-Feb-00	01-Aug-00	-	-						0	0
11	Hands and Minds (cancelled)	D	11-Mar-00	15-Apr-00	-	-						0	0
12	Leonard Baskin (131)	D	29-Apr-00	06-Aug-00	10,182	10,182						(10,182)	(10,182)
13	Textiles: Recent Acquisitions (138)	D	05-May-00	01-Nov-00	5,888	5,888						(5,888)	(5,888)
14	Youth Arts Festival	D	02-May-00	14-May-00	-	-						0	0
15	Bruce Conner (178)	D	21-May-00	30-Jul-00	187,987	187,987	110,000	110,000	Root			(77,987)	(77,987)
		Subtotal de Young			488,813	488,613	136,000	149,100	-	-	-	(352,613)	(339,513)

Continued.

Schedule "F" -- Exhibition Program - Year 1 - FY 1999-2000

		Venue	(1) Runs		(2) Cost Original	Revised	(3) Gifts and Grants Original	Revised		(4) Income Original	Revised	(5) Nets Original	Revised
	Legion												
17	Claes Oldenberg (162)	L	05-Jun-99	19-Sep-99	-	-						0	0
18	Francis Bacon (108)	L	12-Jun-99	02-Aug-99	8,721	8,721						(8,721)	(8,721)
19	The Treasury of St. Francis of Assisi (172)	L	24-Jul-99	14-Nov-99	243,749	243,749	96,000	107,000	Burke, A. Wilsey, Osher, M. Wilsey, McWilliams, Doll Lippi, Fugazi, Gellert		20,000 Audio tour	(147,749)	(116,749)
20	Logan Book Gallery (3 rotations) (165)	L	ongoing		9,360	9,360						(9,360)	(9,360)
21	Reinstall Legion Gallery 1 (166)	L	28-Aug-99	ongoing	5,804	5,804						(5,804)	(5,804)
22	Anderson: Richard Diebenkorn's 41 Etchings (120)	L	25-Sep-99	30-Jan-00	14,046	14,046						(14,046)	(14,046)
23	Alain Kirili:Dialogue with Rodin (126)	L	09-Oct-99	02-Jan-00	31,063	31,063	13,300	3,175	Fr. Cult. Grant, Association Francais			(17,763)	(27,888)
24	Gantner-Myer Collection of Aboriginal Art (180)	L	18-Sep-99	09-Jan-00	125,767	125,767	0	0	Net.com			(125,767)	(125,767)
25	Anderson: Legendary Lithography:Prints from ULAE(117	L	05-Feb-00	14-May-00	12,506	12,508						(12,506)	(12,506)
26	Georgia O'Keeffe: Poetry of Things (103)	L	19-Feb-00	14-May-00	319,155	319,155			Claritin reimb.	193,160 300/hour adm , 60% paid @ $2, $20k audio	193,160	(125,995)	(125,995)
27	Bouquets to Art	L	14-Mar-00	18-Mar-00	-	-						0	0
28	Wayne Thiebaud (144)	L	10-Jun-00	03-Sep-00	252,531	252,531	75,000	110,000	Root, Thiebauc Gruber	32,570 175/hr adm . 60% paid @ $2, $8k audio	32,570	(144,961)	(109,961)
		Subtotal Legion			1,022,702	1,022,702	184,300	220,175		225,730	245,730	(612,672)	(556,797)
		Subtotal In House			1,511,315	1,511,315	320,300	369,275		225,730	245,730	(965,285)	(896,310)
	FAM Travelling Exhibitions												
29	City Hall (153)		01-Oct-99	30-Jun-00	10,000	10,000						(10,000)	(10,000)
30	Ancient Glass from the Holy Land (may travel to DC)									10,000	10,000	10,000	10,000
31	Thiebaud (travels in 00/01)											0	
32	Charles Jones (hope to travel)											0	
33	Gantner Myer (hope to travel)											0	
	Subtotal Traveling Tours				10,000	10,000	0	0		10,000	10,000	0	0
	Total In House and Traveling Exhibitions				1,521,315	1,521,315	320,300	369,275		235,730	255,730	(965,285)	(896,310)

COFAM Balance Sheet At January 31,2000

ASSETS

Cash	610
Cash Equivalents	12,227
Accounts Receivable	4,369
Prepaid Expenses	221
Note Receivable	250
Inventory - Store	969
Inventory - Publications	428
Investment in Bonds	700
Furniture & Equipment (Net)	200
	19,974

LIABILITIES & FUND BALANCES

Accounts Payable	177
Other Accrued Liabilities	3,934
Deferred Income - Restricted	11,543
Deferred Income - Unrestricted	3,684
Fund Balances	
Unrestricted Fund	2,191
Plant Fund	(2,174)
Revenues over Expenses (Note 2)	619
	19,974

COFAM Reserve At 1/31/00	2,252

Note 1 -- Reserve Formula

Cash & Cash Equivalents	12,837
Bonds	700
Accounts Receivable	4,369
Less Accounts Payable	(177)
Less Other Accrued Liabilities	(3,934)
Less Deferred Income - Restricted	(11,543)
	2,252

Note 2 -- Revenues over Expenses

Operating Revenue over Expenses	698
Less Plant Fund	(332)
Plus Restricted Funds	253
Less Airport Fund	0
Surplus / (Deficit)	619

COFAM Balance Sheet At December 31,1999

ASSETS

Cash	1,611
Cash Equivalents	9,907
Accounts Receivable	4,349
Prepaid Expenses	222
Note Receivable	250
Inventory - Store	958
Inventory - Publications	434
Investment in Bonds	700
Furniture & Equipment (Net)	228
	18,659

LIABILITIES & FUND BALANCES

Accounts Payable	445
Other Accrued Liabilities	4,089
Deferred Income - Restricted	10,362
Deferred Income - Unrestricted	3,414
Fund Balances	
Unrestricted Fund	2,191
Plant Fund	(2,174)
Revenues over Expenses (Note 2)	332
	18,659

COFAM Reserve At 12/31/99 1,671

Note 1 -- Reserve Formula

Cash & Cash Equivalents	11,518
Bonds	700
Accounts Receivable	4,349
Less Accounts Payable	(445)
Less Other Accrued Liabilities	(4,089)
Less Deferred Income - Restricted	(10,362)
	1,671

Note 2 -- Revenues over Expenses

Operating Revenue over Expenses	462
Less Plant Fund	(291)
Plus Restricted Funds	161
Less Airport Fund	0
Surplus / (Deficit)	332

RESNICOW
SCHROEDER

The De Young Museum of Art
INTEGRATED MARKETING PLAN 2000-2005
WORKING FRAMEWORK

INTRODUCTION

This plan provides an integrated marketing and communications strategy for the de Young Museum of Art between January 2000 (when the museum begins its last year of operation in its current building) and 2005 (when the new museum building opens to the public in Golden Gate Park).

OBJECTIVES

The overall goal of the communications campaign is to build awareness, support, and excitement for the new de Young Museum among the media, members, donors, public officials, and the public.

Specific objectives include:

- Educating the public about the status of the de Young and correcting misperceptions about when and if the museum is closing (i.e., the Museum is open now; the current building will close in December 2000; the Museum will reopen in a new building on the same site in 2005).
- Continuing the process of overwhelming lingering negative perceptions about the new building.
- Transferring the equity from the old de Young to the new de Young.
- Building excitement about new de Young ("buzz") – showing that the new de Young will offer a better, richer experience for members, the public, and future generations, as well as increased service to San Francisco and the Northern California region.
- Building awareness among the public that will support the capital campaign and grow diverse audiences for the new de Young.
- Generating a sense of personal connection to the de Young among San Francisco and Northern California audiences.
- Keeping members active and engaged in the life of the de Young during the time it is closed.
- Developing brand identity and image for the future.
- Building the marketing infrastructure to support museum operations and fundraising at a new level.

STRATEGY

Throughout the communications campaign, the de Young must be careful not to fall into the trap of promoting, first and foremost, the architecture and new building. Rather, the architecture will always be presented within the context of the institution as a whole – as a reflection of the de Young, and as a facility that will enable the de Young to more fully achieve its mission. The exciting architecture is a reflection of the dynamic, engaging spirit of the de Young.

Similarly, in promoting the institution as a whole, this marketing plan emphasizes the *role and service* of the de Young for its various audiences and communities (e.g., the visitor experience, a place to learn about my heritage, etc.), rather than the internal departments of the institution (e.g., education, collections, etc.)

The integrated marketing plan relies on a wide range of tactics to achieve the objectives and strategy outlined above. These tactics are broadly organized into the following categories:

1. **Museum Programming** – Programs and events to keep members and the public engaged in the life of the de Young Museum between now and when the new building opens. Programs also serve as a source for promotions and media coverage over time, keeping the de Young in the public eye.

2. **Institutional Promotion** – Activities such as media relations, advertising, direct mail, and identity/logo development that will support the capital campaign and build awareness and excitement among the public for the new building.

3. **Architectural Milestones and Events** – Promotions tied to specific milestones in architecture and construction, such as the closing of the current building, moving the art, demolition, and groundbreaking.

THEMES AND MESSAGES

The marketing plan is designed to build upon on the positive feelings and unique reputation that the de Young Museum already enjoys in the minds of the San Francisco public. The following themes and messages will be reinforced in each of the activities described in this plan:

- Sense of community ownership – the de Young is the art museum for all San Franciscans.

- Diversity and eclecticism of collection – the de Young offers something for everyone.

- Responsiveness to diverse communities – the de Young is accessible to all communities, ages, ethnicities; it explores the cultural heritage of all Americans.

- Shared heritage and common ground – the de Young as "village green," community crossroads.

- The best of the old and the new – the new de Young will be a cutting-edge museum for the 21st century while incorporating the soul of the old de Young.

- Regional service – the de Young is a museum for all of Northern California and its visitors.

- International reputation – the de Young is a regional resource of global standing and importance.

- Commitment to the regional art community – the de Young is committed to nurturing emerging artists and the regional art community in the Northern California area.

- Commitment to education – the de Young provides high-caliber art education to San Francisco and Northern California school children and adults.

MUSEUM PROGRAMMING

One of the greatest challenges facing the de Young is keeping museum members and the public engaged in the life of the institution between now and when the new building opens, especially after the current building closes. The following activities and programs are designed to address this challenge. Some of them may be ongoing, and others only while the museum is closed and under construction.

We are sensitive to the concern that the de Young can not be seen as spending money on programs while it also reduces staff during the closed period. While we believe that some level of ongoing de Young programming will be vital to maintaining the museum's presence in the community, these activities need not be expensive or labor-intensive. Programs should be carefully assessed for their return on investment, and where possible the de Young should seek sponsorship or ear-marked funding for programs from members, donors, foundations, and corporations. This will be an excellent opportunity for the de Young to establish relationships with corporate sponsors for multi-year institutional support that will build toward and continue after the opening of the new building.

Programming possibilities include the following:

- **Neighborhood programming:** Arts-related activities, programs, and information on the new de Young in San Francisco neighborhoods. These "satellite" locations could include empty storefronts that owners would rent pro-bono to the de Young on a short-term basis and may also be available free of charge by working with the San Francisco mayor's office/neighborhood services department. These installations would not necessarily include fine art objects from the collection, but rather the teaching collection and activities to engage diverse communities in art, e.g., finding the art in your neighborhood (art, architecture, monuments, etc.).

- **Truck/trailer** to take the de Young on the road into neighborhoods and throughout the Northern California region (Napa Valley, San Jose, etc.). Locations could include shopping malls and other public spaces. This would be similar to the neighborhood programming in that the truck may not include fine art objects.

- **Newspaper supplements** (in-kind/sponsored) with de Young art activities tied to communities, holidays, and seasons such as Black History Month, Women's History Month, summer, various ethnic communities, etc. Both the *San Francisco Chronicle* as well as smaller community and regional newspapers should be approached for sponsorship of supplements.

- **Web site:** Host special programming on the de Young web site. Possibilities include a "virtual de Young," tour of the collection, and celebrity/VIP "picks" from the de Young's collection. Also, expand the Web site to include an online de Young museum shop.

- **Construction fence:** Use the construction fence as a place for promotion and programming while the new museum is being built. Possibilities include commissioning local artists to conceive an artwork for the fence reflecting the cultural heritage of San Francisco; commissioning artists from various communities to paint murals reflecting their own heritage and connections with the de Young; organizing a student competition and rendering the winner's work on the fence. A portion of the fence should also contain information/an exhibition about the construction project and the new de Young.

- **The Legion of Honor:** As the sister institution to the de Young, the Legion presents a wonderful opportunity to present "de Young-branded" exhibitions and programs while the de Young is closed. Traveling or special exhibitions that relate to the de Young's collection and focus should be branded as "a de Young Museum exhibition at the Legion of Honor." In addition, the FAMSF should consider setting aside a small amount of gallery space at the Legion for a mini-exhibition about the de Young – it's collection, architecture, future, etc. Even a small nook in the Legion could provide a place to display a rotating selection focusing in-depth on one key work from the de Young, providing insight into the collection, acquisitions, patrons, scholarship, conservation, etc. These are excellent opportunities for maintaining visibility for the de Young among the museum-going public and FAMSF members that should not be missed.

- **Airport satellite exhibition:** Explore possibilities for a satellite exhibition from the de Young at the San Francisco airport.

- **Retail presence:** Explore possibilities for a retail shop from the de Young at various locations – airport? Pier 39? Downtown/SOMA?

- **Lending the collection:** Lend special selections or rotating packages of works based on particular themes from the de Young for exhibition at other museums in the Northern California region – Oakland? San Jose? This would build awareness among regional audiences and enhance the reputation of the de Young as the region's museum.

- **International tour:** Launch an international tour of "Treasures from the de Young." This would promote the international reputation of the de Young as a world class collection and museum.

- **Building new audiences:** Explore programming to connect with younger adults, internet professionals, artists, architects in a way that reflects the unique spirit of the de Young (the "non-MOMA" alternative for young professionals).

- **Reconnecting with young San Francisco artists:** Highlight the de Young's commitment to emerging-career artists: "The Young at the de Young"? Bring back "Art Annual" exhibitions? Sponsor open studios with working artists? Open an art/exhibition space for young artists – Hunters Point Naval Shipyard? Bay View/Hunters Point? Corporations could sponsor internships or a "career ladder" for young people and artists interested in museum careers.

INSTITUTIONAL PROMOTION

In addition to programming, the marketing campaign is tied to a range of promotional activities that will maintain and grow visibility for the de Young, reinforce its role in the community, support the capital campaign, and build excitement for new museum. These activities are:

- **Media relations:** The most cost-effective tactic for gaining visibility among both the public and specialized audiences is media relations. There are countless opportunities for stories in the press tied to the de Young and its renewed future, for example:
  - The de Young's contribution and role in community – people, education, programs
  - The collection – discoveries, research, acquisitions
  - Architectural milestones (ongoing coverage similar to Pacific Bell Park)
  - Fundraising milestones

- **Advertising:** Advertising can promote the role and unique attributes of the de Young to support the public portion of the capital campaign. We recommend expanding the "My de Young" campaign for members to an "Our de Young" message when the campaign is extended to the broader public. Ads should feature a wide array of San Franciscans (both "regular people" and VIP/celebrities) from diverse backgrounds with testimonials about why the de Young is "Our Museum." As discussed above, the focus should be on the de Young's service to the community rather than on the museum's departments. We recommend hiring or establishing a pro-bono relationship with a leading advertising agency to develop and implement this campaign. In addition, further market research will be valuable in taking the "Our de Young" campaign public.

- **Brand identity/logo:** We recommend developing unique graphic identities for both the de Young Museum and the Legion of Honor separate from the FAMSF logo. Separate identities, connected as "sister institutions," will have more resonance with the public than the FAMSF umbrella identity, which is confusing for the public because it represents a "corporate entity" but not an actual museum. The de Young should hire or establish a pro-bono relationship with a high-caliber graphic designer with experience in identity development and applications ideally in the areas of entertainment/education/culture. Research and planning for the de Young logo should begin in early 2000, so that the new identity can be rolled out at the time of groundbreaking for the new building. That way, the identity can become connected with the "new" de Young.

- **Web site:** The Web site is a vital vehicle for ongoing institutional promotion. It should include frequent updates about the progress of the capital campaign and the architecture, as well as tie-ins with the "Our de Young" campaign.

- **Tour of architectural model:** The model with explanatory signage should be placed "on tour" in prominent (and secure) locations around San Francisco and the Northern California region, such as City Hall, the public library, and other locations.

- **Postcard campaign:** Each quarter throughout the final year in the old building and during the time it is closed for construction, the de Young should send a postcard to all members and friends of the institution. The front of the card can be a work from the collection, a photo of the construction, etc. On the back should be a brief news item. Over time, the postcard campaign should touch on news from all parts of the institution – collections, people, scholarship, research,

fundraising, architecture/construction, education, programming, etc.

- **Media and promotional partnerships:** The de Young should explore opportunities for establishing multi-year, institutional (i.e., not tied to a specific exhibition) sponsorships and marketing partnerships with media and corporate sponsors to promote the institution and new building. These partnerships will be extremely valuable both during the time the de Young is closed (by sponsoring and promoting interim programming) and during the period leading up to the reopening (sponsoring and promoting the new building, grand opening, etc.).

- **Retail:** Licensed merchandise can be an effective way to extend the brand of the de Young and create revenue. Most of these opportunities will come into play closer to the reopening of the museum and will be developed in coordination with a comprehensive retail/merchandising plan.

ARCHITECTURAL MILESTONES AND EVENTS

Promotions tied to milestones in the architecture and construction of the new de Young will provide opportunities to keep the project in the public eye. Critical moments include:

- **Announcement of the final year in old building (January 2000):** In January 2000, the de Young will announce that it is entering the final year of operation in its current building. This announcement must be carefully managed to generate interest in the de Young and a sense of nostalgia, but not foment the opposition to tearing down the old building. The announcement should describe "last year" special programs planned by the museum to stress the fact that the museum is NOT closing now, but will remain open for one more year.

- **Final year in old building (January-December 2000):** Special promotions, events, and activities will be planned to encourage members and the public to "visit now" before the de Young closes temporarily. Possibilities include: celebration of the oldest de Young member or volunteer; promotions highlighting de Young achievements and contributions over time; a New Year's Eve party to celebrate the last night in the old de Young; members' parties, special exhibition promotions, etc. A promotional campaign (connected to the "Our de Young" campaign?) could feature people inspired by the de Young – from artists, to politicians, to celebrities (Danielle Steele, Robin Williams), to the everyday "man on the street."

  Promotions of the "last year" can also be tied to 2000 exhibitions:
  - *Museum Pieces: Bay Area Artists Consider the de Young* (through March 12, 2000)
  - *Turkman Carpets from the Wiedersperg Collection* (through June 25, 2000)
  - *Wedding Dresses from the Permanent Collection* (March 4-August 26, 2000)
  - *Youth Arts Festival* (May 2000)
  - *The Bruce Conner Story* (May 21-July 30, 2000)
  - *The Kingdoms of Edward Hicks* (September 24-closing)

  [NOTE: June-September, 2000: CHINA exhibition at the Asian – expect to be very busy]

  We also recommend that the de Young keep the Herzog & de Meuron exhibition in place through 2000 and continue to update it as new information and visuals are available.

- **Closing of the de Young (December 31, 2000):** The closing of the old de Young represents an opportunity to focus attention on the museum, its past, and its future. As with the announcement of the closing, we must be cautious to inspire the right level of nostalgia mixed with excitement about the future of the de Young in its new building. Special promotions can highlight people associated with the history of the de Young (the oldest member, volunteer, or staff person), the achievements of the institution over time, or quantified impact over time (cumulative numbers of visitors served, schoolchildren educated, exhibitions launched, etc.). A series of events can bring various audiences to the de Young for "one last visit" until the temporary closing – for children, families, artists, members, donors, community groups, the public. RSA will work with you to flesh out concepts for these events. The closing also provides another opportunity to shed light on the de Young's legacy and future in the media.

- **Packing the art (January-June, 2001):** This activity provides rich opportunities for press stories and photos focusing attention on the de Young's collection, its breadth and depth, and it's meaning for so many audiences and communities.

- **Demolition (July 2001):** The demolition provides opportunities for press coverage focusing on the future of the new de Young. The media outreach should focus on the future of the de Young in its new building, rather than on the past of the old building. An important angle will be the salvage of beloved architectural details and icons, such as the sphinxes and pool. The relocation of the turtles from the pool will also make an interesting story. Possibilities for fundraising promotions with members and the public could include a brick-buying campaign to purchase remnants and details from old building. The de Young should also consider possibilities for making the demolition itself a creative or artistic event.

- **Groundbreaking (October 2001):** The groundbreaking ceremony should be more than a traditional "shovel in dirt" ceremony – it should reflect the unique nature and role of the de Young in the community. RSA will work with you to develop a scenario for the groundbreaking that will meet these objectives. Possibilities include artists commissioned to create shovels or an online "virtual groundbreaking."

- **Construction milestones (2002-2004):** As construction progresses there are more critical moments which we can capitalize on for institutional promotion. These include:
  - Cornerstone laying – bury a community time capsule?
  - Topping off – write your name on the top beam?
  - Reinstallation of the art

TIMELINE

Following is a working timeline that will serve as a road map for implementing the various aspects of the integrated marketing campaign. It should be considered a work in progress; timeframes and activities will shift as new information is known about the construction of the new de Young and as new opportunities emerge.

First Quarter 2000

Communications:
- JANUARY - Announce closing of the de Young in one year
- Communications campaign focused on "family" – members, trustees, donors, volunteers, staff
- Plan PR and marketing campaign for broader public

Second Quarter 2000

Architectural Milestones:
- APRIL - Schematic plans presented to Board of Trustees

Communications:
- Launch PR and marketing campaign for public

Third Quarter 2000

Architectural Milestones:

Communications:

Fourth Quarter 2000

Architectural Milestones:
- EIR (environmental impact review) Hearings
- SF Board of Supervisors vote to approve building design
- DECEMBER 31 – Close de Young

First Quarter 2001

Architectural Milestones:
- JANUARY - Close de Young
- Pack up art

Second Quarter 2001

Architectural Milestones:
- Pack up art

Third Quarter 2001

Architectural Milestones:
- Demolition of de Young

Fourth Quarter 2001

Architectural Milestones:
- Groundbreaking

2002

Architectural Milestones:
- General Construction

2003

Architectural Milestones:
- General Construction
- Asian Art Museum closes and moves out
- Begin demolition of Asian

2004

Architectural Milestones:
- Site work
- Begin to reinstall de Young

Communications:
- Launch membership acquisition initiative

2005

Architectural Milestones:
- Reinstall de Young
- JUNE: Grand Opening of de Young

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/00

Appendix A

CORPORATION OF THE FINE ARTS MUSEUMS

Executive Committee
Board of Trustees

March 9, 2000

Call to Order

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, March 9, 2000, in the 6th Floor Conference Room of the Museums' Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 1:34 p.m. by Mrs. Alfred S. Wilsey, President. President Wilsey presided; Mrs. Gough acted as Secretary.

Roll Call

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PUBLIC LIBRARY

Present:

Alvin H. Baum, Jr.
Charles Crocker
Belva Davis
Richard P. Essey
Ms. Frankie Jacobs Gillette, Vice President/Civic Affairs
Diane B. Lloyd-Butler, Vice President/Audience Development
J. Alec Merriam, Vice President/Collections
Nion McEvoy
Steven MacGregor Read, Vice President/Facilities
Mrs. Alfred S. Wilsey, Chairman

Excused:

Mrs. Ray Dolby/Vice President/Annual Support
Richard P. Finn, Vice President/Finance
J. Burgess Jamieson
Robert A. Mills
Mrs. Harry H. Wetzel

Other Trustees in Attendance:

Ruth Asawa
Mrs. Barbara B. Carleton
Mrs. William B. MacColl, Jr.
Michael E. O'Neill

Roll Call (continued)

The following non-voting officers were present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

Report of the President - Mrs. Alfred S. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the January 13, 2000, Meeting of the Board of Trustees

On motion, duly seconded, there being no discussion among the Trustees or members of the public, the minutes of the January 13, 2000 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the *My de Young* Public Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey reported that approximately 4,000 donors have contributed to the *My de Young* public campaign to date with cash gifts and pledges totaling $97,644,210. Donations were raised as follows:

Board President	$ 90,355,322
FAMily Committee	4,690,311
My de Young Mailing	1,474,601
Foundations/Corporations	600,000
Supporting Organizations Committee	400,226
Outreach Committee	123,750
Total	$ 97,644,210

This report was received with a round of applause and with sincere gratitude to the donors and the efforts of the campaign committee members and staff who have made this accomplishment possible. Trustee Lloyd-Butler announced that the Board of Trustees will honor President Wilsey at a celebratory luncheon prior to the meeting of the Board of Trustees on April 13, 2000. Invitations will be mailed shortly.

B. Report on the *My de Young* Public Campaign to Build a New de Young Museum in Golden Gate Park (continued)

1 Report on the New de Young Education Tower Fund-Raising Concept Proposed by Trustee Emerita Ruth Asawa

Trustee Emerita Ruth Asawa discussed her proposed fund-raising concept involving the education tower of the new building. She stressed the importance of establishing a means by which Bay Area children could become involved and participate in the efforts to build the new de Young Museum. Ms. Asawa offered to create a ceramic mold of a coin savings bank in the shape of the education tower, which could be placed in classrooms. A program involving a sponsor for each school might be considered. She emphasized the visually exciting design feature of the tower, which begins as a rectangle at its base and shifts into a triangle as it moves upward, providing a different view from each side. Trustee Baum suggested that a San Francisco bank may be interested in this project and be willing to count the collected coins at no charge. The Executive Committee enthusiastically endorsed the proposal and expressed appreciation to Trustee Emerita Asawa with a round of applause.

C. Report on the Conceptual Planning for a New de Young Museum in Golden Gate Park

President Wilsey reported that meetings with members of the architectural team occurred last week and focused on the cost of the project. Deborah Frieden, Director of the de Young Project, advised that the architects have identified approximately twelve areas in which the cost of the project can be reduced. The building is now in line with original programmatic specifications and different kinds of structural systems are being analyzed. All of the required consultants have been retained and are working with the architects to achieve budgeted project costs.

At a meeting this morning with President Wilsey, Mr. Parker, and Carolyn Macmillan, Director of Marketing and Communications, Mayor Willie L. Brown, Jr., was briefed on the progress of building the new de Young Museum. He was pleased, supportive and encouraging of ongoing efforts to build a new de Young. It was agreed that periodic meetings would be scheduled in the future to keep the Mayor informed of developments.

Mr. Parker presented the attached timetable, which clarifies the schedules of the de Young and Asian Art Museums over the next five years and the corresponding, anticipated guard force coverage. The timetable shows: 1) that the Legion of Honor remains open to the public throughout the de Young Museum period of closure; 2) the period that a temporary education facility would be open to the public; 3) the activation of

C. Report on the Conceptual Planning for a New de Young Museum in Golden Gate Park (continued)

temporary art storage facilities; 4) the closure of the de Young from January 1, 2001 until the opening of the new Museum on June 30, 2005; 5) the operation and move of the Asian Art Museum during the first two years of the de Young closure and the opening of the new Asian at the end of November 2002.

Report of the Chief Executive Officer - Harry S. Parker III

A. Report on COFAM Operating Budget as of January 31, 2000

At the request of Mr. Parker, Steve Dykes, Deputy Director for Administration and Finance, presented the COFAM Operating Budget Report as of January 31, 2000. Cumulative seven month results were $486,000 compared to the $30,000 projected, owing to satisfactory revenues and expenses occurring slower than expected. A revised budget forecast will be completed by the April Board meeting, detailing changes but still resulting in a balanced budget plan.

The COFAM Reserve was $2,252,000 at January 31, 2000 versus $1,671,000 the month before. This gain is due to COFAM's strong operating results plus the receipt of the FAM Foundation's third quarter endowment support. At nearly $2.3 million, this is the highest the reserve has been in the current fiscal year. Board policy is to keep a $2 million reserve, which has been very difficult to attain with the de Young Museum drawing about half the visitors it used to.

The overall support level was very close to budget, with Annual Contributions down slightly in the Friends and Business categories. Total revenues tracked budget. The stores were ahead by $38,000 in gross profits with good performance in all areas. Thanks to the *Assisi* exhibit, general admission income remained up by $98,000. Membership dues were on target. Cumulative personnel costs were $146,000 (4%) less than budget and other expenses were $351,000 (11%) less than budget. Exhibit, administrative and operations costs are expected to catch up later in the fiscal year, bringing these expenses much closer to budget.

B. Consideration and Possible Action Authorizing the Execution of a Lease for Space for a Temporary Education Program Site during the Period of Approximately Four Years when the de Young Museum is Closed to the Public

Mr. Parker noted that a key consideration during the closure of the de Young Museum is the implementation of a temporary education program site as soon as possible. The availability of education services and programs when the de Young Museum is closed to the public will be an important means of maintaining a de Young presence in the community. An off-site Education Resource Center would be able to continue to provide teachers with videos, audio tapes, computer research, study collection information, demonstrations by artists and Saturday programs for families. Vas Prabhu, Director of Education, reported that efforts have been initiated to identify suitable off-site locations, preferably close to the de Young Museum. An opportunity recently surfaced on 9th Avenue near Irving Street, however, the Museums learned this morning that the space is no longer available.

The Executive Committee supported the establishment of a temporary off-site education program as soon as possible and recognized the need to expeditiously execute a potential lease agreement. On motion, duly seconded, the Executive Committee unanimously voted to authorize the Director of Museums, following the identification of funding sources and consultation with the President of the Board of Trustees, to proceed to lease suitable space for a temporary off-site education program.

C. Consideration and Possible Action to Approve the Amended Operating Guidelines of the San Francisco Auxiliary

1. Members to be proposed each year by March 31 rather than November 1
2. Membership Committee to be formed in September, not May
3. New members to be introduced in May

On motion, duly seconded, the above, minor changes to the Operating Guidelines of the San Francisco Auxiliary were unanimously approved.

Report of the Audience Development and Marketing Committee - Diane K. Lloyd-Butler, Vice President and Chair

A. **Presentation and Discussion of the Marketing Plan for the Period the de Young Museum is Closed to the Public**

Carolyn Macmillan, Deputy Director of Marketing and Communications, presented the Marketing Plan for the period the de Young Museum is closed to the public. The marketing plan provides an integrated marketing and communications strategy for the de Young between January 1, 2001 through June 30, 2005 when the Museum is closed to the public. The new building is slated to open July 1, 2005. The overall goal of the communications campaign is to build awareness, support and excitement for the new de Young Museum among the media, members, donors, public officials, and the public. Ms. Macmillan reviewed the specific objectives of the communications campaign, and highlighted the strategy, themes and messages, museum programming, institutional promotion, and the architectural and fund-raising milestone and events included in the plan.

Keeping the Museum members and public engaged in the life of the de Young Museum during the period of closure, will involve a number of activities ranging from providing arts-related information to San Francisco neighborhoods, to special programming on the Museums' website, touring the permanent collection nationally and internationally, analyzing retail opportunities, establishing media and promotional partnerships to promote the institution and new de Young Museum, etc. In response to a question raised, Mr. Parker advised that Stanford University has expressed interest in exhibitions of the permanent collection and that other universities may be interested as well. Trustee Gillette suggested that black colleges may be particularly interested in a national tour of *Masterpieces of American Painting.*

Ms. Gillette pointed out an error on page two in the Marketing Plan, paragraph two, which incorrectly referenced staff reductions. Mr. Parker noted that the Marketing Plan had been revised, however, distribution of the incorrect version inadvertently occurred. The amende Marketing Plan will be distributed to the Board of Trustees at its April 13, 2000 meeting.

Report of the Nominating Committee - Nion McEvoy, Chair

Trustee McEvoy reported that eight candidates have been nominated for election to the Board of Truste In accordance with the Bylaws of both the Fine Arts Museums of San Francisco and the Corporation of The Fine Arts Museums, the Nominating Committee's recommendations will be mailed to the Boards o Trustees thirty days in advance of the annual meetings on April 13, 2000. Trustee McEvoy advised that Trustees Frankie Jacob Gillette and Steven MacGregor Read will rotate off the Board and have been recommended for Trustee Emeritus status. The Executive Committee acknowledged their leadership and dedication to the Fine Arts Museums with a round of applause and emphasized the importance of their continued, active participation.

Report of the Annual Support Committee - Mrs. Ray Dolby, Vice President and Chair

In the absence of Trustee Dolby, Barbara Boucke, Deputy Director for Development, reported that every effort is being made to meet the annual support goal of $2,665,000 for the 1999-2000 fiscal year. This is an ambitious undertaking since the de Young capital campaign is occurring at the same time. Gina Tan, Director of Membership and Annual Fund, advised that a 200,000 piece mailing, which was sent in mid-December 1999, has resulted in over 2,100 new Museum members to date. Also, 780 lapsed memberships have recently renewed. The annual donor luncheon has been scheduled for Monday, April 10, 2000 with artist Wayne Thiebaud as guest speaker.

Report of the Fine Arts Museums Foundation - Charles Crocker, President

President Crocker reported that at the close of business on March 3, 2000, the endowment portfolio was valued at $86,212,566. It was invested 70% in equities, 28% in fixed income, and 2% in cash and cash equivalents.

Adjournment - Mrs. Alfred S. Wilsey, President

There being no further business, the meeting was adjourned at 2:10p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

excm003

CORPORATION OF THE FINE ARTS MUSEUMS

M.H. DE YOUNG MEMORIAL MUSEUM * CALIFORNIA PALACE OF THE LEGION OF HONOR

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OFFICIAL MEETING NOTICE

Corporation of The Fine Arts Museums[1]
Executive Committee of the Board of Trustees

Thursday, May 11, 2000
12:30 p.m.[2]
Administrative Offices
233 Post Street, 6th Floor Conference Room
San Francisco, California

San Francisco, California

AGENDA

I. Calling of the Meeting to Order - Mrs. Alfred S. Wilsey, President

II. Calling of the Roll

Trustees:

Alvin H. Baum, Jr.
Charles Crocker
Belva Davis, Vice President/Civic Affairs
Mrs. Ray Dolby, Vice President/Annual Support
Richard P. Essey
Richard H. Finn, Vice President/Finance
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Audience Development
J. Alec Merriam, Vice President/Collections
Nion T. McEvoy
Robert A. Mills

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[1] The Corporation of The Fine Arts Museums (COFAM) is a private not-for-profit entity. However, notice of this COFAM meeting is being provided to the public because a majority of the City and County of San Francisco's Fine Arts Museums Executive Committee (FAMSF) may be present at this meeting. If a quorum of the FAMSF Executive Committee attends this COFAM meeting, the meeting will be conducted in compliance with the Brown Act.

[2] Or such earlier time as the Fine Arts Museums of San Francisco Executive Committee meeting ends, but in no event before 12:30 p.m.

II. Calling of the Roll (continued)

Trustees (continued):

Michael E. O'Neill
Mrs. Thomas P. Rohlen
Mrs. Alfred S. Wilsey, President

III. Report of the President - Mrs. Alfred S. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the April 13, 2000 Meeting of the Board of Trustees (See Appendix A – Draft Minutes) filed under minutes — **Action**

B. Report and Discussion of the Campaign to Build a New de Young Museum in Golden Gate Park — **Discussion**

C. Report and Discussion of the Conceptual Planning for a New de Young Museum in Golden Gate Park — **Discussion**

D. Other Informational Items — **Discussion**

IV. Report of the Chief Executive Officer - Harry S. Parker III

A. Report on COFAM Operating Budget as of March 31, 2000 (See Appendix B – Budget Report as of March 31, 2000) — **Discussion**

B. Consideration and Possible Action to Adopt a Resolution Authorizing the Chief Executive Officer to Enter Into a New Memorandum of Understanding with Local 790, United Public Employees, S.E.I.U., AFL-CIO — **Action**

RESOLVED, That the Executive Committee of the Board of Trustees authorizes the COFAM Chief Executive Officer to enter into a new Memorandum of Understanding between COFAM and Local 790 United Public Employees, S.E.I.U, AFL-CIO.

C. Consideration and Possible Action to Adopt a Resolution to Increase the Endowment Fund Distribution Rate for Operating Budget Support to 5% from 4.5% for Fiscal Year 2000-01 **Action**

WHEREAS, The Board of Trustees has reviewed the December 1, 1999 five year operating budget deficit projections before the New de Young Museum opens in Summer 2005, which are estimated to be up to $9.6 million; and

WHEREAS, The Board's Budget Committee is evaluating every means to reduce the projected deficit; and

WHEREAS, Temporarily increasing the Fine Arts Museums Foundation endowment distribution rate in support of COFAM operations would be a valuable contribution to deficit-reducing efforts; and

WHEREAS, The Foundation increased the distribution rate to 4.5% from 4% effective 1 July 1999 to help balance the current fiscal year budget; now, therefore, be it

RESOLVED, That the Board of Trustees of the Corporation of The Fine does hereby request the Board of Trustees of the Fine Arts Museums Foundation to increase the endowment fund distribution rate for fiscal year 2000-01 to 5% from 4.5%.

D. Consideration and Possible Action to Adopt a Resolution Authorizing the Opening of an Account at American Express Financial Advisors **Action**

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby authorize the Treasurer and Controller of the Corporation to open an account in the name of the Corporation at the firm of American Express Financial Advisors, for the sole purpose of receiving and selling gifted shares of stocks to this Corporation; and be it

FURTHER RESOLVED, That this account remains in full force until rescinded or modified by this Board.

E. Consideration and Possible Action to Adopt a Resolution Covering the Transfer of Shares at American Express Financial Advisors — Action

RESOLVED, That any one of the following officers and employees of the Corporation of The Fine Arts Museums, to wit:

Harry S. Parker III, Chief Executive Officer
Stephen E. Dykes, Treasurer
Barbara Boucke, Deputy Director for Development
Robert M. Cullison, Controller

is authorized to sell, assign, transfer or dispose of any stocks, bonds, or other securities now or hereafter owned or held by the Corporation at American Express Financial Advisors; and be it

FURTHER RESOLVED, That any Transfer Agent, Registrar or issuer of securities to whom a copy of this resolution shall be delivered may rely upon this resolution until such time as written notice of any change, amendment or cancellation thereof shall have been received by such Transfer Agent, Registrar or issuer of securities.

F. Report on Proposition G Passed by San Francisco Voters in November 1999 Which Amended Chapter 67 of the San Francisco Administrative Code, The Sunshine Ordinance — Discussion

G. Report on Temporary Locations for the de Young Museum Operations During Period of Closure of Approximately Four Years Beginning January 1, 2001 — Discussion

H. Other Informational Items — Discussion

V. Report of the Budget Committee – T. Robert Burke, Interim Chair — **Discussion**

VI. Report of the Annual Support Committee - Mrs. Ray Dolby, Vice President and Chair — **Discussion**

VII. Report of the Fine Arts Museums Foundation - Charles Crocker, President — **Discussion**

VIII. Adjournment - Mrs. Alfred S. Wilsey, President — **Action**

Public Meeting Requirements Relating to Accessibility

The subsequent information is in compliance with the Americans with Disabilities Act (ADA); the following will be made available upon request: (1) American sign language interpreters; (2) a sound enhancement system; (3) a meeting agenda available in alternative formats; and (4) a reader during the meeting. To arrange for these services, please contact Judy Gough at (415) 750-3669 at least two working days prior to a meeting. A late request will be honored if possible. Minutes of the meeting will be made in alternative formats upon request. Meeting agendas are available on the Fine Arts Museums of San Francisco website, *www.thinker.org*.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, those attending public meetings are reminded that others may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

For access to 233 Post Street by BART, get off at the Montgomery Street Station. MUNI's wheelchair-accessible No. 38 line may also be taken to Geary and Stockton Streets, as well as wheelchair-accessible No. 2 line (east bound), which stops close to 233 Post Street. For more information about MUNI's accessible services, call (415) 923-6142. Accessible parking space (disabled-designated) is available at the Stockton-Sutter Parking Garage.

Accessible seating for persons with disabilities (including those using wheelchairs) will be available. For Telecommunication Device for the Deaf (TDD), the Museums use the California Relay Service.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force:

Donna Hall, Administrator
Sunshine Ordinance Task Force
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689
Office: (415) 554-7724
Fax: (415) 554-5163
E-mail: Donna_Hall@ci.sf.ca.us

Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at *www.ci.sf.ca.us/bdsupvrs/sunshine*.

If you are unable to attend the meeting, you may submit written comments to Judy Gough, Fine Arts Museums of San Francisco, 233 Post Street, 6th Floor, San Francisco, CA, 94108. Public documents referred to in the agenda may be inspected at the Administrative Offices of the Fine Arts Museums located at 233 Post Street, 6th Floor San Francisco, CA, 94108. Please contact Judy Gough at (415) 750-3669 to make arrangements.

Appendix B

COFAM Budget Report For The Month Ended 31 March 2000

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Resources & Expenses 1
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Stores 6
Exhibition Program 7
Balance Sheet 9

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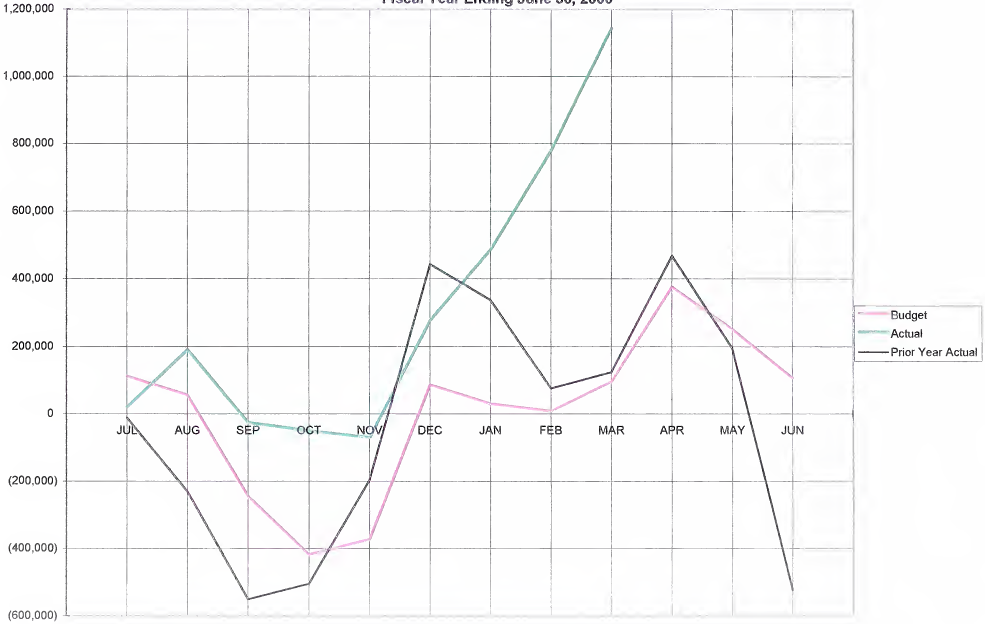
COFAM CUMULATIVE SURPLUS (LOSS) CHART
Fiscal Year Ending June 30, 2000



COFAM Operating Budget-In-Brief

Month Ended 31 March 2000

An O'Keeffe Budget Year

The very popular *O'Keeffe* show continues to take the COFAM operating budget off the charts. Visitors are running about 400/ hour average with 68% paid, compared to the budget targets of 300/ hour and 60% paid (after *Picasso* at 331/ hour and 60.5% paid). At this rate, total attendance will hit 192k visitors, one-third more than expected, with substantial gains in store sales, general admission fees, and exhibit surcharge income.

A rolling forecast is included in this budget report, taking into account many changes since the operating budget was approved in October 1999. The forecast anticipates a healthy surplus, which will strengthen the reserve for the difficult years ahead, when the de Young is closed for re-construction.

Overview At 3/31/00

Cumulative nine month results were $1,143k, compared to the $95k projected, owing to O'Keeffe-driven revenues, more exhibit grants received than budgeted, and operating expenses still occurring slower than expected.

The COFAM Reserve was $3,107k at 3/31/00 versus $2,532k the month before. Board policy is to keep the reserve at $2 million or more. The reserve has seldom been $3 million, and only since January 2000 did it climb over $2 million in the current fiscal year. In fact, the reserve has been well below $2 million in the past two fiscal years because of declining de Young attendance without major exhibitions.

Support & Revenue

Total support was more than budget, with cumulative Annual Contributions doing better than planned.

O'Keeffe is responsible for store sales, general admissions and exhibit income from ticket surcharges and audio tour rentals exceeding budget handsomely. Total revenue was up $329k for March and up $433k for the year. Membership dues were ahead of budget.

Expenses

Personnel costs to date were $148k (3%) less than budget with underages across-the-board. But a board-approved increase in management and professional salaries during the second half of the fiscal year, coupled with higher workers' compensation insurance premiums and other adjustments, will offset current personnel cost savings and take these expenses somewhat higher than original budget.

Other expenses continued to be well below budget by $410k (5%) due largely to costs being incurred later than expected. As bills catch up before the fiscal year ends on 6/30/00, other expenses will resemble budget.

# # #

brept Tu 4/25/00 @ 12:02pm

COFAM FY 1999-00 Operating Budget At March 31, 2000 (9 Months -- 75% Of The Budget Year)

$ in thousands	(1)			(2)			(3)				(4)	
	March			9-Months								
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	Rolling Forecast 4/1/00	Variance to Original Budget	% Actual To Rolling Forecast	Actual Prior Year At 9 Months	
SUPPORT & REVENUE												
Support												
1) Annual Contributions	216	170	(46)	1,705	1,774	69	2,665	2,665	-	67%	1,909	See page 5.
2) Bequests and Major Unrestricted Gifts	0	0	0	0	0	0	0	0	-	0%	2	
3) Foundation Endowment Support	137	137	0	1,229	1,229	0	1,638	1,638	-	75%	956	
4) Specified Funds												
--Curatorial/Conservation	30	34	4	266	279	13	341	439	98	63%	392	
--Publications	0	13	13	80	103	23	85	111	26	93%	20	
--Exhibitions	5	32	27	140	234	94	320	430	110	54%	358	
--Education Programs	51	44	(7)	278	229	(49)	372	414	42	55%	194	
--General	12	22	10	62	73	11	97	132	35	55%	87	
Subtotal Specified Funds	97	145	48	827	918	92	1,216	1,526	310	76%	1,030	
5) COFAM Investment Income	10	25	15	86	131	45	140	160	20	82%	88	
Subtotal Support	460	477	17	3,846	4,052	206	5,659	5,989	330	72%	3,986	

COFAM FY 1999-00 Operating Budget At March 31, 2000 (9 Months -- 75% Of The Budget Year)

$ in thousands	(1)			(2)			(3)				(4)	
	March			9-Months								
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	Rolling Forecast 4/1/00	Variance to Original Budget	% Actual To Rolling Forecast	Actual Prior Year At 9 Months	
Revenue												
6) Museum Store Sales	360	504	144	1,506	1,849	342	2,203	2,714	511	68%	2,380	See page 8.
Less Discounts	(18)	(17)	0	(76)	(83)	(8)	(110)	(134)	(24)	62%	(118)	
Less Cost of Goods	(180)	(231)	(51)	(762)	(948)	(185)	(1,113)	(1,380)	(267)	69%	(1,240)	
Less Commissions and Royalties	(1)	0	1	(8)	(1)	5	(9)	(9)	-	13%	(52)	
Gross Profit	161	255	94	662	816	154	970	1,191	221	69%	970	
7) Facilities Rental Gross	86	42	(45)	619	393	(226)	720	540	(180)	73%	498	
8) Benefits Gross Income / Art Point	4	1	(3)	177	128	(49)	199	167	(32)	77%	53	
9) General Admissions COFAM Net	220	384	164	1,233	1,526	293	1,722	2,203	481	69%	1,271	
10) Food & Beverage Concession Fees	17	18	1	114	112	(2)	157	157	-	71%	128	
11) Exhibition Program Earned Income	65	139	74	105	256	151	236	445	209	57%	1,413	See pages 7 and 8.
14)Membership Dues	305	323	17	2,270	2,319	49	2,789	2,789	(0)	83%	2,286	
15) Conservation Services	48	35	(13)	237	272	35	400	425	25	64%	191	
16) Miscellaneous												
--Development Trip Fees	0	30	30	63	88	26	213	213	0	41%	63	
--Publication Sales Net	6	7	1	50	43	(7)	68	68	-	64%	176	
--Other Fees	22	30	9	184	195	10	260	260	-	75%	319	
Subtotal Revenue	934	1,262	329	5,716	6,148	433	7,734	8,459	724	73%	7,368	
Total Support & Revenue	1,393	1,739	346	9,562	10,200	638	13,393	14,448	1,055	71%	11,355	

Museum Attendance:

March 2000: 119,813 visitors, 49.6% paid, budgeted - 80,000 visitors, 42.1% paid.
Year to Date: 597,092 visitors, 45.1% paid, budgeted - 509,545, 42.1% paid.

Membership:

Year to date: 38,288 dues paid members averaging $60.56 per member
compared to budgeted goals of 36,615 dues paid members averaging $61.99 per member.
Current active paying members = 52,656.

COFAM FY 1999-00 Operating Budget At March 31, 2000 (9 Months -- 75% Of The Budget Yeer)

$ in thousands

	(1)			(2)			(3)				(4)
	March			9-Months							
	Original Budget	Actual	Variance to M-T-D Budget	Originel Budget	Actuel	Veriance to Y-T-D Budget	Original Budget	Rolling Forecast 4/1/00	Veriance to Original Budget	% Actual To Rolling Forecast	Actual Prior Year At 9 Months
EXPENSES											
Personnel Expenses											
17) Curatorial											
Curatorial/Conservation/Education	275	273	(1)	1,782	1,775	(7)	2,378	2,392	14	74%	1,731
Project Funded Employees	61	66	4	443	396	(48)	595	622	27	64%	414
Exhibit Group	97	87	(10)	617	573	(44)	840	836	(4)	68%	622
Exhibit Progrem Temporary Labor	11	36	25	203	184	(19)	297	297	(0)	62%	228
18) Development											
Development - General	63	55	(8)	408	389	(17)	545	533	(12)	73%	399
Membership	43	49	6	279	273	(7)	376	376	(0)	72%	362
19) Administretion											
Administration General	142	146	4	903	894	(9)	1,232	1,258	26	71%	929
Marketing and Communications	24	27	4	152	168	18	204	242	38	69%	210
Operations Group	35	33	(2)	227	217	(10)	305	307	2	71%	243
Stores	55	51	(4)	306	293	(13)	411	415	4	71%	418
Fecilities Rental	8	7	(2)	55	65	10	73	75	2	86%	180
Subtotal Personnel	815	831	16	5,373	5,225	(148)	7,257	7,353	96	72%	5,734

$ in thousands

	(1)			(2)			(3)				(4)
	March			9-Months							
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	Rolling Forecast 4/1/00	Variance to Original Budget	% Actual To Rolling Forecast	Actual Prior Year At 9 Months
Other Expenses											
20) Curatorial											
Curatorial/Conservation/Education	59	67	8	499	446	(52)	709	762	53	59%	369
Publications	0	13	13	80	103	23	85	111	26	93%	2
Exhibit Group	11	13	2	91	62	(29)	132	132	0	47%	67
Exhibit Program	30	53	23	691	543	(147)	1,224	1,221	(3)	44%	1,963
21) Development											
Development - General	59	33	(26)	273	335	62	584	599	15	56%	438
Art Point	4	3	(1)	87	41	(46)	111	111	0	37%	75
Benefits	15	0	(15)	99	62	(37)	99	99	0	63%	8
Membership	51	104	53	357	462	105	462	462	0	100%	457
Magazine / Guide	55	25	(30)	231	189	(42)	337	337	0	56%	163
22) Administration											
Administration General	89	156	68	801	796	(4)	1,114	1,197	83	67%	789
Marketing and Communications	68	45	(23)	336	304	(31)	472	522	50	58%	297
Operations Group	52	58	7	456	437	(19)	620	629	9	70%	428
Stores	10	17	7	62	61	(1)	94	94	0	65%	127
Facilities Rental	12	9	(3)	148	100	(48)	199	199	0	50%	90
Subtotal Other Expenses	515	597	83	4,209	3,944	(265)	6,240	6,473	233	63%	5,271
City Partial Reimbursement for Education Program / Administration and Building Operation Expenses	(49)	(79)	(29)	(420)	(417)	3	(596)	(596)	0	70%	0
Total Expenses	1,280	1,349	69	9,163	8,753	(410)	12,901	13,230	329	66%	11,006
SUPPORT & REVENUE OVER EXPENSES	113	390	277	399	1,447	1,048	491	1,217	726	119%	349
EARLY RETIREMENT CHARGES	0	0	0	(61)	(61)	0	(61)	(61)	0	100%	0
LESS PLANT FUND DEPRECIATION	(27)	(27)	0	(243)	(243)	0	(325)	(325)	0	75%	(225)
THE BOTTOM LINE	86	363	277	95	1,143	1,048	105	831	726	137%	(225)

Appendix A - Annual Contributions Report -- Month Ending March 31, 2000 (75% Of The Budget Year)
$ in thousands

(1)	(2)			(3)				(4)	
Contribution Categories	March 2000 Actuals	Budget	March 1999 Actuals	Year To Date Budget	Actuals	Variance to Y-T-D Budget	Prior Year Actuals	Current Year Annual Goals	Current Year % of Annual Goals Achieved
1) Associates ($5,000 and up)	92	100	114	970	1,126	156	1,012	1,550	72.6%
2) Patrons ($2,500 - $5,000)	13	5	10	90	131	41	107	130	101.1%
3) Friends ($1,000 - $2,500)	51	50	33	335	326	(9)	355	475	68.5%
4) National Council/Other	5	6	3	43	25	(18)	46	60	42.2%
5) Mail Drive	(0)	40	8	52	4	(48)	128	105	3.9%
6) Phone Campaign	0	5	25	5	7	2	94	95	7.4%
7) Business	9	5	21	120	68	(52)	90	150	45.6%
8) Foundations	0	5	0	90	87	(3)	77	100	86.6%
	170	216	214	1,705	1,774	69	1,909	2,665	66.6%

Appendix "B" -- Stores Report: 9 Months Ended March 31, 2000
$ in thousands

	In House Merchandising				Outside Merchandising	
	(1)		(2)		(3)	
	deYoung Store		Legion Store		Wholesale & Royalties	
	Budget	Actual	Budget	Actual	Budget	Actual
Sales	378	411	664	654	71	80
Discounts	(23)	(22)	(33)	(31)		
Cost of Goods	(193)	(237)	(325)	(335)	(45)	(44)
Commissions & Royalties	0	0	0	0	(6)	(0)
Gross Profit	163	152	305	287	20	36
Personnel Expenses	170	121	104	109	0	12
Other Expenses	27	36	10	11	3	0
Total Expenses	197	157	114	120	3	12
Gross Profit Over Expenses	(34)	(5)	191	168	17	24
Variance to Year To Date		29		(24)		7

	Exhibition Merchandising					
	(4)		(5)		(6)	
	St Francis of Assisi Store		O'Keeffe Store		Grand Totals	
	Budget	Actual	Budget	Actual	Budget	Actual
Sales	148	208	246	497	1,506	1,849
Discounts	(7)	(14)	(12)	(16)	(76)	(83)
Cost of Goods	(77)	(115)	(123)	(218)	(762)	(948)
Commissions	0	(0)	0	0	(6)	(0)
Gross Profit	63	78	111	262	662	816
Personnel Expenses	10	27	22	24	307	293
Other Expenses	12	6	10	8	62	61
Total Expenses	22	33	32	32	369	355
Gross Profit Over Expenses	41	45	79	230	294	461
Variance to Year To Date		4		152		168

Schedule "F" -- Exhibition Program - FY 1999-2000

		Venue	(1) Runs		(2) Cost		(3) Gifts and Grants			(4) Income		(5) Nets	
					Original	Revised	Original	Revised		Original	Revised	Original	Revised
	In-House Exhibitions												
	de Young												
1	Theater and Dance Collection (for Nancy Baer) (118)	D	01-May-99	05-Sep-99	1,901	200						(1,901)	(200)
2	Saxe Collection (163)	D	28-Jun-99	17-Oct-99	22,713	28,000						(22,713)	(28,000)
3	Wedding Dresses from Permanent Collection (136)	D	04-Mar-00	31-Dec-00	6,181	5,000						(6,181)	(5,000)
4	Art for Elders (182)	D	28-Sep-99	03-Oct-99	-	1,739		1,739	Ministry of Nursing Homes			0	0
5	Herzog and de Meuron Model (128)	D	14-Oct-99	31-Dec-00	25,560	25,560	25,000	25,000	New de Young			(560)	(560)
6	The Wiedersperg Collection (169)	D	18-Dec-99	30-Jun-00	68,762	64,762						(68,762)	(64,762)
7	Artists Investigate the de Young (Helfand) (187)	D	20-Nov-99	12-Mar-00	100,503	100,503	1,000	24,100	Frankel Gallery, Gallery Paul Anglim, Bransten Art Council, LEF			(99,503)	(76,403)
8	Narratives of African Am. Art: David Driskell (113)	D	12-Nov-99	13-Feb-00	49,464	37,464						(49,464)	(37,464)
9	Achenbach TBA (137) (postponed)	D	Jan 22-00	15-Apr-00	9,472	-						(9,472)	0
10	Costumes (Hecksher)	D	14-Aug-99	20-Feb-00	-	300		250	Hecksher			0	(50)
11	Hands and Minds (cancelled)	D	11-Mar-00	15-Apr-00	-	-						0	0
12	Leonard Baskin (131)	D	27-May-00	03-Sep-00	10,182	10,182						(10,182)	(10,182)
13	Textiles: Recent Acquisitions (138)	D	01-Jul-00	31-Dec-00	5,888	5,000						(5,888)	(5,000)
14	Youth Arts Festival	D	02-May-00	14-May-00	-	-						0	0
15	Bruce Conner (178)	D	21-May-00	30-Jul-00	187,987	187,987	110,000	110,000	Root			(77,987)	(77,987)
16	Two Major Acquistions (140) added	D	14-Oct-99	16-Apr-00		5,000							
16	Lost and Found (130) added	D	12-Feb-00	ongoing		5,000							
17	Picturing San Francisco (190) added	D	04-Mar-00	14-May-00		15,000		15,000	ATT				
19	Crown Point Press Hallway (185) (added)	D	ongoing	ongoing		600							
		Subtotal de Young			488,613	492,297	136,000	178,089	-	-	-	(352,613)	(305,608)

Continued..

Schedule "F" -- Exhibition Program - FY 1999-2000

		Venue	(1) Runs		(2) Cost		(3) Gifts and Grants			(4) Income		(5) Nets	
					Original	Revised	Original	Revised		Original	Revised	Original	Revised
	Legion												
17	Claes Oldenberg (162)	L	05-Jun-99	19-Sep-99	-	-						0	0
18	Francis Bacon (108)	L	12-Jun-99	02-Aug-99	8,721	6,500						(8,721)	(6,500)
19	The Treasury of St Francis of Assisi (172)	L	24-Jul-99	14-Nov-99	243,749	230,000	96,000	106,000	Burke, A Wilsey, Osher, M Wilsey, McWilliams, Dol Lippi, Fugazi, Gellert		20,000 Audio tour	(147,749)	(104,000)
20	Logan Book Gallery (3 rotations) (165)	L	ongoing		9,360	7,500						(9,360)	(7,500)
21	Reinstall Legion Gallery 1 (166) (cancelled)	L	28-Aug-99	ongoing	5,804	-						(5,804)	0
22	Anderson Richard Diebenkorn's 41 Etchings (120)	L	25-Sep-99	30-Jan-00	14,046	7,915						(14,046)	(7,915)
23	Alain Kirili:Dialogue with Rodin (126)	L	09-Oct-99	02-Jan-00	31,063	31,063	13,300	13,300	Fr. Cult Grant, Association Francais			(17,763)	(17,763)
24	Gantner-Myer Collection of Aboriginal Art (180)	L	18-Sep-99	09-Jan-00	125,767	105,767	0	0	Net com			(125,767)	(105,767)
25	Anderson Legendary Lithography.Prints from ULAE(11	L	05-Feb-00	14-May-00	12,506	12,506						(12,506)	(12,506)
26	Georgia O'Keeffe Poetry of Things (103)	L	19-Feb-00	14-May-00	319,155	319,155		25,000	AT&T Claritin reimb	193,160	341,664 400/hour adm , 68% paid @ $2. $80k audio	(125,995)	47,509
27	Bouquets to Art	L	14-Mar-00	18-Mar-00	-	-						0	0
28	Wayne Thiebaud (144)	L	10-Jun-00	03-Sep-00	252,531	252,531	75,000	110,000	Root, Thiebauc Gruber	32,570	32,570 175/hr adm . 60% paid @ $2. $8k audio	(144,961)	(109,961)
29	Recent Acquisitions from the Achenbach (137)	L	08-Apr-00	23-Jul-00		9,252							
		Subtotal Legion			1,022,702	982,189	184,300	254,300		225,730	394,234	(612,672)	(333,655)
		Subtotal In House			1,511,315	1,474,486	320,300	430,389		225,730	394,234	(965,285)	(639,263)
	FAM Travelling Exhibitions												
29	City Hall (153)		01-Oct-99	30-Jun-00	10,000	18,415						(10,000)	(18,415)
30	Ancient Glass from the Holy Land (reimb to IAA)					10,111				10,000	10,000	10,000	(111)
31	Thiebaud (travels in 00/01)											0	0
32	Charles Jones (travels 00/01)										1,000	0	1,000
33	Gantner Myer San Antonio/Wash DC (175)		15-Feb-00 28-Jun-00	21-May-00 14-Aug-00		15,000					40,000	0	25,000
	Subtotal Traveling Tours				10,000	43,526	0	0		10,000	51,000	0	7,474
	Total In House and Traveling Exhibitions				1,521,315	1,518,012	320,300	430,389		235,730	445,234	(965,285)	(631,789)

COFAM Balance Sheet At March 31, 2000

$ in thousands

ASSETS		LIABILITIES & FUND BALANCES	
Cash	926	Accounts Payable	1,277
Cash Equivalents	19,610	Other Accrued Liabilities	4,018
Accounts Receivable	3,632	Deferred Income - Restricted	16,466
Prepaid Expenses	235	Deferred Income - Unrestricted	3,470
Note Receivable	250	Fund Balances	
Inventory - Store	821	Unrestricted Fund	2,193
Inventory - Publications	572	Plant Fund	(2,174)
Investment in Bonds	700	Revenues over Expenses (Note 2)	1,643
Furniture & Equipment (Net)	147		
	26,893		26,893

COFAM Reserve At 3/31/00 3,107

Note 1 -- Reserve Formula

Cash & Cash Equivalents	20,536
Bonds	700
Accounts Receivable	3,632
Less Accounts Payable	(1,277)
Less Other Accrued Liabilities	(4,018)
Less Deferred Income - Restricted	(16,466)
	3,107

Note 2 -- Revenues over Expenses

Operating Revenue over Expenses	1,434
Less Plant Fund	(437)
Plus Restricted Funds	646
Less Airport Fund	0
Surplus / (Deficit)	1,643

COFAM Balance Sheet At February 29, 2000

$ in thousands

ASSETS	
Cash	1,198
Cash Equivalents	16,537
Accounts Receivable	4,530
Prepaid Expenses	221
Note Receivable	250
Inventory - Store	963
Inventory - Publications	441
Investment in Bonds	700
Furniture & Equipment (Net)	174
	25,014

LIABILITIES & FUND BALANCES	
Accounts Payable	339
Other Accrued Liabilities	3,966
Deferred Income - Restricted	16,128
Deferred Income - Unrestricted	3,555
Fund Balances	
Unrestricted Fund	2,191
Plant Fund	(2,174)
Revenues over Expenses (Note 2)	1,009
	25,014

COFAM Reserve At 2/29/00	2,532

Note 1 -- Reserve Formula

Cash & Cash Equivalents	17,735
Bonds	700
Accounts Receivable	4,530
Less Accounts Payable	(339)
Less Other Accrued Liabilities	(3,966)
Less Deferred Income - Restricted	(16,128)
	2,532

Note 2 -- Revenues over Expenses

Operating Revenue over Expenses	1,057
Less Plant Fund	(364)
Plus Restricted Funds	316
Less Airport Fund	0
Surplus / (Deficit)	1,009

Appendix A

CORPORATION OF THE FINE ARTS MUSEUMS

Executive Committee
Board of Trustees

May 11, 2000

Call to Order

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, May 11, 2000, in the 6th Floor Conference Room of the Museums' Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 12:46 p.m. by Mrs. Alfred S. Wilsey, President. President Wilsey presided; Mrs. Gough acted as Secretary.

Roll Call

Present:

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Alvin H. Baum, Jr.
Richard P. Essey
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Audience Development
J. Alec Merriam, Vice President/Collections
Nion McEvoy
Robert A. Mills
Michael E. O'Neill
Mrs. Thomas P. Rohlen
Mrs. Alfred S. Wilsey, Chairman

Excused:

Charles Crocker
Belva Davis/Vice President/Civic Affairs
Mrs. Ray Dolby/Vice President/Annual Support
Richard P. Finn/Vice President/Finance

Other Trustees in Attendance:

T. Robert Burke, Interim Chair, Budget Committee
Mrs. Charles F. Willis, Chair, Education Committee

Roll Call (continued)

The following non-voting officers were present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

Report of the President - Mrs. Alfred S. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the April 13, 2000, Meeting of the Board of Trustees

On motion, duly seconded, there being no discussion among the Trustees or members of the public, the minutes of the April 13, 2000 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey reported that to date cash gifts and pledges total $107,198,419. Donations were raised as follows:

Board President		$ 96,115,522
FAMily Committee		5,426,261
My de Young Mailing		1,539,270
Foundations/Corporations		2,505,000
Supporting Organizations Committee		1,408,051
Outreach Committee		204,315
	Total	$107,198,419

This report was received with a round of applause and sincere gratitude to the donors. Barbara Boucke, Deputy Director for Development, announced that 1,728 donors have made contributions of $1,000 or more and will be listed on the recognition wall; 185 donors have contributed $25,000 or more and will be recognized in the FAMily room; and 36 donors have qualified for benches with contributions of $100,000 or more.

C. Report on the Conceptual Planning for a New de Young Museum in Golden Gate Park

Deborah Frieden, Director of the de Young Project, reported that on May 5, 2000 the City's Planning Department published a notice that an environmental impact report (EIR) is required for the de Young Museum project and an Initial Study. The Initial Study summarizes the scope of the project and identifies potential impacts that will be studied during the full environmental review process. The three areas identified for study under the EIR are: (1) visual quality (scale, massing, etc.); (2) transportation and parking; and (3) air quality and climate (shadow). Ms. Frieden noted that the Initial Study states that matters pertaining to land use and whether the existing de Young Museum is considered a historical or cultural resource will not require additional study.

The Planning Department publishes a notice in local papers that the Initial Study is available for review by the public. Copies of the Initial Study are mailed to interested community groups, organizations and individuals.

It is anticipated that the draft EIR will be completed by mid-summer and certified by the Planning Department in the fall. Once the EIR is issued by the Planning Department, there is a thirty-day review period, which will include a public hearing.

Mr. Parker advised that the schematic drawings for the new de Young were received last week from Herzog & de Meuron. Members of the architectural team will review the drawings with project consultants next week in San Francisco to prepare for the presentation of the schematic drawings at the June meeting of the Board of Trustees. Following the June Board meeting, it will be important to inform the public of the schematic drawings. A Committee to Support the New de Young Design for Golden Gate Park, chaired by Belva Davis, Vice President of Civic Affairs, and comprised of community representatives, has been established to assist in this effort.

Public comment was received from Tomasita Medál. She suggested calling attention to the design of the new Guggenheim in New York City when presenting the schematic drawings and developing "cut-aways" to compare the size and content of the existing and proposed de Young towers.

Report of the Chief Executive Officer - Harry S. Parker III

A. Report on COFAM Operating Budget as of March 31, 2000

At the request of Mr. Parker, Steve Dykes, Deputy Director for Administration and Finance, presented the COFAM Operating Budget Report as of March 31, 2000. The very popular *Georgia O'Keeffe* show continued to take the COFAM Operating budget off the charts. Visitors are running about 400/hour average with 68% paid, compared to the budget targets of 300/hour and 60% paid (after *Picasso* at 33/hour and 60.5% paid). At this rate, total attendance will hit 192,000 visitors, one-third more than expected, with substantial gains in store sales, general admission fees, and exhibit surcharge income.

A rolling forecast is included in this budget report, taking into account many changes since the operating budget was approved in October 1999. The forecast anticipates a surplus, which will strengthen the reserve for the difficult years ahead, when the de Young is closed for re-construction.

Cumulative nine month results were $1,143,000 compared to the $95,000 projected, owing to O'Keeffe-driven revenues, more exhibit grants received than budgeted, and operating expenses still occurring slower than expected.

The COFAM Reserve was $3,107,000 at March 31, 2000 versus $2,532,000 the month before. Board policy is to keep a $2 million reserve or more. The reserve has seldom been $3 million, and only since January 2000 did it climb over $2 million in the current fiscal year. In fact, the reserve has been well below $2 million in the past two fiscal years because of declining de Young attendance without major exhibitions.

Total support was more than budget, with cumulative Annual Contributions doing better than planned. The *O'Keeffe* exhibit is responsible for store sales, general admissions and exhibit income from ticket surcharges and audio tour rentals exceeding budget handsomely. Total revenue was up $329,000 for March and up $433,000 for the year. Membership dues were ahead of budget.

Personnel costs to date were $148,000 (3%) less than budget with underages across-the board. But a board-approved increase in management and professional salaries during the second half of the fiscal year, coupled with higher workers' compensation insurance premiums and other adjustments, will offset current personnel cost savings and take these expenses somewhat higher than original budget.

Other expenses continued to be well below budget by $410,000 (5%) due largely to costs being incurred later than expected. As bills catch up before the fiscal year ends on June 30, 2000, other expenses will resemble budget.

B. Consideration and Possible Action to Adopt a Resolution Authorizing the Chief Executive Officer to Enter Into a New Memorandum of Understanding with Local 790, United Public Employees, S.E.I.U., AFL-CIO

Mr. Parker reported that negotiations between COFAM and Local 790 are expected to conclude shortly. He presented the following resolution:

RESOLVED, That the Executive Committee of the Board of Trustees authorizes the COFAM Chief Executive Officer to enter into a new Memorandum of Understanding between COFAM and Local 790 United Public Employees, S.E.I.U, AFL-CIO.

On motion made and seconded, there was no discussion among Trustees or members of the public. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 261.**

C. Consideration and Possible Action to Adopt a Resolution to Increase the Endowment Fund Distribution Rate for Operating Budget Support to 5% from 4.5% for Fiscal Year 2000-01

Mr. Parker advised that efforts are ongoing to prepare the fiscal year 2000-2001 operating budget. In view of the projected five year financial deficit associated with the closure of the de Young Museum to the public on January 1, 2001, it is prudent to consider increasing the endowment fund distribution rate for operating budget support to 5 % from 4.5% for fiscal year 2000-01. The following resolution was introduced:

WHEREAS, The Board of Trustees has reviewed the December 1, 1999 five year operating budget deficit projections before the New de Young Museum opens in Summer 2005, which are estimated to be up to $9.6 million; and

WHEREAS, The Board's Budget Committee is evaluating every means to reduce the projected deficit; and

WHEREAS, Temporarily increasing the Fine Arts Museums Foundation endowment distribution rate in support of COFAM operations would be a valuable contribution to deficit-reducing efforts; and

WHEREAS, The Foundation increased the distribution rate to 4.5% from 4% effective 1 July 1999 to help balance the current fiscal year budget; now, therefore, be it

RESOLVED, That the Board of Trustees of the Corporation of The Fine does hereby request the Board of Trustees of the Fine Arts Museums Foundation to increase the endowment fund distribution rate for fiscal year 2000-01 to 5% from 4.5%.

C. Consideration and Possible Action to Adopt a Resolution to Increase the Endowment Fund Distribution Rate for Operating Budget Support to 5% from 4.5% for Fiscal Year 2000-01 (continued)

On motion duly seconded, there was no discussion among Trustees or members of the public. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 262.**

D. Consideration and Possible Action to Adopt a Resolution Authorizing the Opening of an Account at American Express Financial Advisors

Mr. Parker advised that a gift of stock has necessitated the opening of an account at American Express Financial Advisors. He presented the following resolution:

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby authorize the Treasurer and Controller of the Corporation to open an account in the name of the Corporation at the firm of American Express Financial Advisors, for the sole purpose of receiving and selling gifted shares of stocks to this Corporation; and, be it

FURTHER RESOLVED, That this account remains in full force until rescinded or modified by this Board.

On motion duly seconded, there was no discussion among Trustees or members of the public. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 263.**

E. Consideration and Possible Action to Adopt a Resolution Covering the Transfer of Shares at American Express Financial Advisors

The companion resolution covering the sale of gifted shares of stock at American Express Financial Advisors was introduced by Mr. Parker:

RESOLVED, That any one of the following officers and employees of the Corporation of The Fine Arts Museums, to wit:

Harry S. Parker III, Chief Executive Officer
Stephen E. Dykes, Treasurer
Barbara Boucke, Deputy Director for Development
Robert M. Cullison, Controller

is authorized to sell, assign, transfer or dispose of any stocks, bonds, or other securities now or hereafter owned or held by the Corporation at American Express Financial Advisors; and be it

E. Consideration and Possible Action to Adopt a Resolution Covering the Transfer of Shares at American Express Financial Advisors (continued)

FURTHER RESOLVED, That any Transfer Agent, Registrar or issuer of securities to whom a copy of this resolution shall be delivered may rely upon this resolution until such time as written notice of any change, amendment or cancellation thereof shall have been received by such Transfer Agent, Registrar or issuer of securities.

On motion duly seconded, there was no discussion among Trustees or members of the public. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 264.**

F. Report on Proposition G Passed by San Francisco Voters in November 1999 Which Amended Chapter 67 of the San Francisco Administrative Code, The Sunshine Ordinance

Mr. Parker reported that he had requested James Sutton of the law firm Nielsen, Merksamer, Parrinello, Mueller & Naylor to discuss the implications of the Proposition G amendment to The Sunshine Ordinance to the Corporation of The Fine Arts Museums. Mr. Sutton began by noting that his firm, which assisted the Museums with its 1996 and 1998 de Young Museum bond measure campaigns, specializes in political, election, and municipal law, including public record and public meeting regulations. His firm is helping many not-for-profit organizations with a relationship to the City of San Francisco understand the applicability of Proposition G to their respective organizations.

Mr. Sutton particularly discussed a new provision of The Sunshine Ordinance, pertaining to the disclosure on the City's website of the names of donors, the amounts of the gifts, and whether the donors have any financial interests with the City. In general, a not-for-profit organization with a relationship to the City is not subject to these donor disclosure requirements primarily due to constitutional and privacy rights protecting the anonymity of donors.

A general discussion of the applicability of city and state public meeting laws to the Corporation of The Fine Arts Museums followed. Mr. Sutton was thanked for his efforts to clarify these matters.

G. Report on Temporary Locations for the de Young Museum Operations During Period of Closure of Approximately Four Years Beginning January 1, 2001

Potential temporary locations have been identified and are being actively pursued. In addition, a ten year extension of the lease, with a five year option to renew, has recently been executed for the current warehouse. The Executive Committee will be kept informed of developments.

II. Other Informational Item

Mr. Parker encouraged those present to attend the opening of the popular Youth Arts Festival this evening from 5 to 8 p.m., at the de Young Museum.

Report of the Budget Committee – T. Robert Burke, Interim Chair

Interim Chair Burke had no further comment regarding the Operating Budget Report provided by Mr. Dykes earlier in the agenda. The Executive Committee thanked Trustee Burke for agreeing to serve as Interim Chair of the Budget Committee for the next two months in the absence of Chair Richard H. Finn.

Report of the Annual Support Committee - Mrs. Ray Dolby, Vice President and Chair

In the absence of Chair Dolby, Barbara Boucke, Deputy Director for Development, reported that every effort is being made to meet the annual support goal of $2,665,000 for the 1999-2000 fiscal year. This is an ambitious undertaking since the de Young capital campaign is occurring at the same time.

Report of the Fine Arts Museums Foundation - Charles Crocker, President

President Crocker reported that at the close of business on May 5, 2000, the endowment portfolio was valued at $80,107,693. It was invested 65% in equities, 30% in fixed income, and 5% in cash and cash equivalents.

Adjournment - Mrs. Alfred S. Wilsey, President

There being no further business, the meeting was adjourned at 1:15 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

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CORPORATION OF THE FINE ARTS MUSEUMS

M.H. DE YOUNG MEMORIAL MUSEUM ✻ CALIFORNIA PALACE OF THE LEGION OF HONOR

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OFFICIAL MEETING NOTICE

Corporation of The Fine Arts Museums
Executive Committee of the Board of Trustees

Thursday, September 7, 2000
12:30 p.m.[1]
Administrative Offices
233 Post Street, 6th Floor Conference Room
San Francisco, California

AGENDA

ORDER OF BUSINESS

I. Calling of the Meeting to Order – Diane B. Wilsey, President

II. Calling of the Roll

Trustees:

Alvin H. Baum, Jr.
Charles Crocker
Belva Davis, Vice President/Civic Affairs and Audience Development
Dagmar Dolby, Vice President/Annual Support
Richard P. Essey
Richard H. Finn, Vice President/Finance
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
J. Alec Merriam, Vice President
Nion T. McEvoy
Robert A. Mills
Michael O'Neill
Steven MacGregor Read
Shelagh Rohlen
Diane B. Wilsey, President

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[1] Or such time as the Fine Arts Museums of San Francisco Executive Committee meeting ends, but in no event before 12:30 p.m.

II. Calling of the Roll (continued)

Non-Voting Officers:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Executive Secretary

III. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the June 8, 2000 Meeting of the Board of Trustees (See Appendix A – Draft Minutes) **Action**

B. Report on the Plans for a New de Young Museum in Golden Gate Park **Discussion**

1. Report on the Draft Environmental Impact Report for the New de Young Project **Discussion**

2. Report on the Committee to Support the Design for the New de Young in Golden Gate Park **Discussion**

C. Consideration and Possible Action to Adopt a Resolution to Support Saturday Closure of John F. Kennedy Drive in Golden Gate Park After an Integrated Overview of Transportation and Circulation in Golden Gate Park Has Been Completed by the Concourse Authority and a Concourse Underground Parking Facility Has Been Built and Is in Operation and to Authorize COFAM to Support the Committee for an Open and Accessible Park **Action**

WHEREAS, With the initiation of the Sunday closure of John F. Kennedy Drive in Golden Gate Park in 1967, the Board of Trustees of the Fine Arts Museums of San Francisco has documented its concerns over the importance of adequate access to the M. H. de Young Museum; and

WHEREAS, The Board of Trustees of the Fine Arts Museums of San Francisco passed Board Resolution 1205 on August 14, 1996 supporting improvements to reduce motor vehicle traffic in Golden Gate Park, including further closings of Golden Gate Park roads when adequate alternative means of access and parking are in place for Museum visitors, such as improved public transit (especially on weekends), a convenient Concourse underground parking facility to replace any parking spaces removed from Golden Gate Park roads, and the use of shuttles during peak visitor periods (major exhibitions, summer weekends, etc.); and

C. Consideration and Possible Action to Adopt a Resolution to Support Saturday Closure of John F. Kennedy Drive in Golden Gate Park After an Integrated Overview of Transportation and Circulation in Golden Gate Park Has Been Completed by the Concourse Authority and a Concourse Underground Parking Facility Has Been Built and Is in Operation and to Authorize COFAM to Support the Committee for an Open and Accessible Park (continued) **Action**

WHEREAS, San Francisco voters passed Proposition J, the Golden Gate Park Revitalization Act, in June 1998, which established a Concourse Authority charged with building a privately funded underground parking facility in the Park, and to accomplish a comprehensive plan for parking, transportation improvements and traffic mitigation measures in the Park; and

WHEREAS, A citizen's initiative, Proposition F, which calls for the Saturday closure of John F. Kennedy Drive in Golden Gate Park effective January 1, 2001, has been placed on the November 2000 ballot; and

WHEREAS, Proposition G, The Golden Gate Park Accessibility, Enhancement and Safety Act, which would delay the closure of John F. Kennedy Drive until after the construction of the parking garage under the Concourse, has been submitted by six members of the San Francisco Board of Supervisors for the November 2000 ballot to ensure the accessibility of Golden Gate Park for all San Franciscans; now, therefore, be it

RESOLVED, That the Executive Committee supports Saturday closure of John F. Kennedy Drive in Golden Gate Park after an integrated overview of transportation and circulation has been completed by the Concourse Authority and a Concourse underground parking facility has been built and is in operation; and be it

FURTHER RESOLVED, That the Executive Committee of the Board of Trustees does hereby authorize the President of the Board of Trustees and the Chief Executive Officer of the Corporation of The Fine Arts Museums to support the Committee for an Open and Accessible Park, the political committee opposing Proposition F and supporting Proposition G; and, be it

FURTHER RESOLVED, That the President of the Board of Trustees and the Chief Executive Officer of the Corporation of The Fine Arts Museums are further authorized to contribute COFAM funds to the Committee for an Open and Accessible Park, within permissible legal limits and subject to campaign disclosure rules.

D. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park **Discussion**

1. Consideration and Possible Action to Adopt a Resolution Recommending that the Board of Trustees Take Action at Its October 12, 2000 Meeting to Increase the Fund-raising Goal for a New de Young Museum in Golden Gate Park **Action**

WHEREAS, A fund-raising goal of $44 million was established in conjunction with the $73.3 million general obligation bond measure to rebuild the de Young Museum in 1996 and the $89.9 million general obligation bond measure to rebuild the de Young in 1998, both of which narrowly failed to attain the two-thirds vote required for passage; and

WHEREAS, At its meeting on October 15, 1998, the Board of Trustees of the Fine Arts Museums of San Francisco reaffirmed its commitment to build a new de Young Museum in Golden Gate Park and further recognized that, in the absence of public funding for a new de Young Museum, private funds must be utilized to pay for the planning costs of a new de Young; and

WHEREAS, On June 10, 1999, the Board of Trustees of the Corporation of The Fine Arts Museums adopted a resolution approving a Statement of Need and Opportunity for a New de Young Museum in Golden Gate Park, and establishing a fund-raising goal of $135 million for the new de Young Museum and a timetable for the Campaign to Build a New de Young Museum in Golden Gate Park to commence in the fall of 1999; and

WHEREAS, The New de Young Building Committee has reviewed the progress of the planning for the new building, as well as the construction cost estimates for the schematic design phase, and passed a resolution to accept the cost estimate of $115,000,000 as a not-to-exceed construction budget for purposes of planning this project; and

WHEREAS, The new de Young building project will require significant additional expenditures, including but not limited to, architectural and engineering fees, permits and inspections, legal and environmental review fees, project and construction management costs, fund-raising and marketing, equipment, furniture and fixtures for the new building, hazardous materials abatement for the existing building, as well as off-site and relocation costs; now, therefore, be it

RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums recommends that the Board of Trustees take action at its October 12, 2000 meeting to increase the fund-raising goal for a new de Young Museum in Golden Gate Park to $165,000,000; and, be it

1. Consideration and Possible Action to Adopt a Resolution Recommending that the Board of Trustees Take Action at Its October 12, 2000 Meeting to Increase the Fund-raising Goal for a New de Young Museum in Golden Gate Park (continued) **Action**

FURTHER RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums expresses its profound appreciation to the President of the Board of Trustees and the Campaign Committee for a New de Young Museum for their extraordinary fund-raising accomplishment thus far; and, be it

FURTHER RESOLVED, That the Board of Trustees recognizes with heartfelt gratitude the 3,738 donors who have expressed their generous support for the new de Young Museum building project through their contributions and pledges.

E. Consideration and Possible Action to Accept the Net Proceeds from the April 7, 2000 Event Honoring the 25th Anniversary of Curator Robert Flynn Johnson Designated for the New de Young Museum – Farrell Schell, Chair, and William Clark, 2nd Vice Chair, Achenbach Graphic Arts Council **Action**

F. Other Informational Items **Discussion**

IV. Director's Report - Harry S. Parker III

A. Report on Applicability of Chapter 67 of the San Francisco Administrative Code, The Sunshine Ordinance, to the Corporation of the Fine Arts Museums **Discussion**

B. Consideration and Possible Action to Adopt a Resolution Authorizing the Chief Executive Officer to Enter into a Lease Agreement for Temporary Space for the de Young Collections and Staff During the Four and One-half Year Period the de Young Museum Is Closed to the Public Beginning January 1, 2001 **Action**

RESOLVED, That the Executive Committee of the Board of Trustees does hereby authorize the Chief Executive Officer of the Corporation of The Fine Arts Museums to enter into a lease agreement for temporary space for the de Young collections and staff during the four and one-half year period the de Young Museum is closed to the public beginning January 1, 2001.

C. Other Informational Items **Discussion**

V.	**Report of the New de Young Building Committee – Steven MacGregor Read, Chair**	**Discussion**
	A. Report that a Resolution Was Adopted by the New de Young Building Committee to Accept the Cost Estimate of $115,000,000 as a Not-to-exceed Construction Budget for Purposes of Planning the New de Young Building Project	**Discussion**
VI.	**Report of the Annual Support Committee – Dagmar Dolby, Chair and Vice President**	**Discussion**
VII.	**Report of The Fine Arts Museums Foundation – Charles Crocker, President**	**Discussion**
VIII.	**Adjournment – Diane B. Wilsey, President**	**Action**

Appendix A

CORPORATION OF THE FINE ARTS MUSEUMS

Board of Trustees

June 8, 2000

I. Calling of the Meeting to Order – Diane B. Wilsey, President

A meeting of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, June 8, 2000, in Gallery 23 of the M. H. de Young Memorial Museum, Golden Gate Park, San Francisco. A quorum was present that being one-third of the number of Trustees in office. The meeting was called to order at 3:36 p.m. by Diane B. Wilsey, President.

President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

The following Trustees were present:

Cheryl H. Bancroft
Alvin H. Baum, Jr.
Alix Phillips Becker
Jamie Bowles
Barbara B. Carleton
Barnaby Conrad III
Charles Crocker
Belva Davis, Vice President/Civic Affairs and Audience Development
Richard P. Essey
Morgan Flagg
Constance Goodyear
George Hecksher
Beverly James
Stephen L. Johnson
Terrence Johnson
William R. Kimball
Leonard E. Kingsley
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion McEvoy
J. Alec Merriam, Vice President
Lorna F. Meyer
Robert A. Mills
Josie Mooney
Robert P. Morrow III
Michael E. O'Neill
Marianne H. Peterson
Steven MacGregor Read

II. Calling of the Roll (continued)

The following Trustees were present (continued):

Randolph R. Scott
Vivian Fei Tsen
Carlos Villa
Paul Violich
Margaret Wetzel
Nancy Willis
Alfred S. Wilsey
Diane B. Wilsey, President

On motion, duly seconded and carried unanimously, the following Trustees were excused:

Del M. Anderson
George McNear Bowles
T. Robert Burke
Dagmar Dolby, Vice President/Annual Support
Richard H. Finn, Vice President/Finance
Tamara Fritz
Richard N. Goldman
Nancy Hamon
J. Burgess Jamieson
Ann L. Johnson, M.D.
Nancy McBean
Shelagh Rohlen
Dolores G. Terrazas
Burl A. Toler, Sr.
George B. Saxe
Sidney R. Unobskey
Lonna Wais

Other Trustees in attendance were:

Ruth Asawa
Robert J. Bransten
Nan Cook
Genevieve di San Faustino
George Hopper Fitch
William Fries, II
Frankie Jacobs Gillette
David R. Hoyer
Sylvia Kingsley
Stephanie MacColl

II. Calling of the Roll (continued)

Other Trustees in attendance were (continued):

Gail Merriam
Dodie Rosekrans
Katharine Doyle Spann
William A. Stimson
Florence Sue Wong

The following non-voting officers were present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

III. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the May 11, 2000 Meeting of the Executive Committee

There being no discussion among the Trustees or members of the public, the minutes of the May 11, 2000 meeting of the Executive Committee of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the Plans for a New de Young Museum in Golden Gate Park

President Wilsey advised that public testimony would be received following the presentations on the schematic drawings for a new de Young Museum and the landscape plan. She announced that the Environmental Impact Report is in process and will be published following certification by the San Francisco Planning Department.

1. Presentation of the Schematic Drawings for a New de Young in Golden Gate Park – Pierre de Meuron, Herzog & de Meuron Arkchitekten AG

President Wilsey noted the May 2-10, 2000 Associates trip to Switzerland included a visit with Herzog & de Meuron Architekten AG in Basel. The trip concluded in London with a preview of the remarkable Tate Gallery of Modern Art designed by Herzog & de Meuron. The Tate Modern opened to the public on May 11th amidst fanfare and positive reviews. President Wilsey introduced Pierre de Meuron, who proceeded to present the schematic drawings for a new de Young Museum in Golden Gate Park.

Since the presentation of the conceptual plan one year ago, the architectural team, including local architects Fong and Chan, have focused on developing the schematic drawings incorporating input received on the conceptual plan from staff,

B. Report on the Plans for a New de Young Museum in Golden Gate Park (continued)

1. Presentation of the Schematic Drawings for a New de Young in Golden Gate Park – Pierre de Meuron, Herzog & de Meuron Arkchitekten AG (continued)

Trustees, Museum constituents, public officials and the general public. Mr. de Meuron reviewed some of the fundamental elements of the design concept. The building is set on the Golden Gate Park Concourse across from the Academy of Sciences at a 40 degree angle to the city grid of San Francisco, viewed aerially. The building is a low-rise structure with a tower, which strives to merge nature and culture.

Mr. de Meuron made the following points:

The Museum will be open to the public in every sense. There is a main court in the center of the building where orientation to the entire museum including all of the galleries is possible. Each of the collections can be directly accessed from the main court, and the public will be able to walk through the building on the ground level without charge.

The ground floor public areas will be visible from the outside of the building and include the café; the Family Room -- a great mural room, where the Piazzoni murals will be displayed, which will function as both gallery and event space; the main museum store, auditorium and children's gallery.

There are three ground level entry points: a) the main entrance on the Concourse; b) a northeast entrance at the new Garden of Enchantment; and c) a southwest entrance from the proposed sculpture garden adjacent to the Japanese Tea Garden. A fourth entrance on the lower level, where the temporary exhibition space is located, connects directly to the underground parking garage.

The Museum is now set back 81 feet from Kennedy Drive. By comparison, the existing museum is set back 42 feet and the conceptual plan had the museum set back 30 feet into the Park.

The façade length of the building has been reduced from 500 feet for the existing de Young to 420 feet in the current schematic drawings, which represents a decrease of 80 feet or 17 percent. The façade length for the conceptual plan was 520 feet.

The height of the tower at 160 feet compares to the existing tower at 125 feet, Coit Tower at 172 feet, and the Ferry Building Tower at 234 feet.

B. Report on the Plans for a New de Young Museum in Golden Gate Park (continued)

1. Presentation of the Schematic Drawings for a New de Young in Golden Gate Park – Pierre de Meuron, Herzog & de Meuron Arkchitekten AG (continued)

A main feature of the project is the Education Tower on the northeast corner of the building. Space in the tower is publicly accessible and free to the public. The tower is a visual link to the City, which will offer panoramic views from the observation deck on the top floor.

The re-designed tower is a rectangle, whose base has the same geometry as the Museum in relation to the Concourse and the Academy of Sciences. The tower twists 40 degrees as it rises from the ground floor to the top floor, where the observation deck is aligned on all four sides with the grid formed by the streets of the Sunset and Richmond Districts. The tower will house the Museums' educational programs, and the observation deck will provide visitors with a unique view of Golden Gate Park and the City of San Francisco.

Approximately 18 percent of the facade is glass with steel or wooden frames in order to let natural light into the museum. Wooden surfaces account for 8 percent. The rest of the building is covered with a woven copper fabric, which as it ages will develop a patina and turn green over time. Either glass or a solid wall would be behind the copper fabric.

Mr. de Meuron concluded his remarks. The Board of Trustees enthusiastically acknowledged Mr. de Meuron and the presentation of the schematic drawings with appreciation and a round of applause.

2. Presentation of Landscape Plan by Walter Hood, Chair, Department of Landscape Architecture, University of California, Berkeley

President Wilsey then introduced Walter Hood, Chair of the Department of Landscape Architecture and Associate Professor in the Urban Design Program at the University of California, Berkeley. Mr. Hood began his presentation with a discussion of Golden Gate Park and its beginnings as a sand dune on the edge of the City, which has been transformed by humans into a great urban Park. The goal of the landscape plan is to create a landscape, which enfolds the building and immerses the visitors into the Park. The landscape design for the new de Young continues the theme of integrating the building into the Park and the Park into the building.

B. Report on the Plans for a New de Young Museum in Golden Gate Park (continued)

2. Presentation of Landscape Plan by Walter Hood, Chair, Department of Landscape Architecture, University of California, Berkeley (continued)

Highlights of Mr. Hood's presentation are as follows:

A landscaped area will be planted between Kennedy Drive and the museum. The staff parking lot at the north east end of the existing building will become the new Children's Garden, where the Pool of Enchantment will be re-located. Included in the plan are educational program and sculpture areas for children. The Children's Garden will connect with the playground on the opposite side of John F. Kennedy Drive, and will be accessible through the existing tunnel. The new museum will be less visible from John F. Kennedy Drive.

Like the existing plan, there will be a lawn along the front entry plaza, which faces the Concourse, with palm trees leading to a new sculpture garden at the south west end of the building in space previously occupied by the Asian Art Museum. The lawn will transition to stones creating a walkway and entry plaza for the museum toward the Concourse.

Landscape materials common to the Park will be utilized such as stone, native vegetation, and the reinforcement of the existing tree canopy of eucalyptus, redwoods, oaks and cypresses. Design connections will also be made to the landscapes of the Japanese Tea Garden and the Music Concourse.

The three bands of the building are integral to the landscape plan. The Park will be expanded and remade along the back and front of the building. The building's three internal courtyards look out to the landscape: 1) the eucalyptus court; 2) the fern court, which starts on the lower level rising through the building and includes a water cascade down one of the stone walls; and 3) the main court with vines forming trailing curtains during spring and summer and turning the same color as the copper façade of the building in fall and winter.

President Wilsey thanked Mr. Hood for his presentation, and the Board of Trustees acknowledged its support of the landscape plan with a round of applause.

Discussion of the schematic drawings and landscape plan then ensued among the Trustees.

In response to a question raised by Trustee Goodyear, Mr. de Meuron elaborated on the relationship of the new de Young to the Concourse.

B. Report on the Plans for a New de Young Museum in Golden Gate Park (continued)

Trustee Sylvia Kingsley offered congratulations and appreciation to both Mr. de Meuron and Mr. Hood noting how helpful the drawings will be in ongoing fund-raising efforts.

Trustees Bowles, Becker and Flagg expressed their support for and excitement over the schematic drawings and landscape plan.

Trustee Leonard Kinglsey candidly acknowledged the challenges of the past year since the conceptual plan was presented in June 1999. He enthusiastically endorsed the dramatic schematic drawings and landscape plan and urged the community to come together at this time to support the new de Young building project.

There being no further remarks from the Trustees, President Wilsey called for comments from the public. Public testimony was received from six individuals:

Helaine Kaplan Prentice, landscape architect and environmental design author – Spoke in support of Walter Hood, whom she regards as one of the most significant members of a new generation of landscape architects who combine intellect, visual art, community awareness and ecology in their landscape designs.

Joseph Fusco, Chair, People for a New de Young – Several steps have been made today in a positive direction, but over 5,000 signatures have been gathered from people who agree that the design is wrong for the Park. Read excerpts from a letter from architect Markus H. Geisler, "Disappointing de Young," printed in the June 6, 2000 edition of the San Francisco Chronicle, "Letters to Datebook." Over 30 architects who have come out against the building. Hoped the Board read his letter of June 1st and accompanying article, "Aftershock" by Ken Coupland from the June 2000 issue of "Metropolis Magazine."

Amy Meyer – The presentations today have evolved positively from previous presentations. Raised some practical questions and suggested that it would be helpful to explicitly and publicly address these matters in the future: What is the size of the building? How does the design work in terms of gallery and storage space when the new Museum opens and in the future? Believes the tower is much more subtle when viewed three dimensionally rather than in the drawings.

Mr. Parker responded to Ms. Meyer's comments, a subsequent question raised by Trustee Essey, and an article, "New de Young Museum Plans Scaled Back," which appeared in today's edition of the San Francisco Chronicle. He clarified that the existing footprint of 172,500 square feet, which includes the Asian Art Museum and staff parking lot, has been reduced to 91,620 square feet. The gross square footage for the existing de Young (140,000 square feet) and Asian Art Museums totals 230,000 square feet, compared to the new de Young schematic plan of 295,000 square feet. Gallery space

B. Report on the Plans for a New de Young Museum in Golden Gate Park (continued)

increases from 26,400 to 60,200 square feet with an increase in temporary exhibition space from 10,600 to over 14,000 square feet.

Diana Ketchum, writer on architecture – Has visited a number of Herzog & de Meuron buildings and believes their commitment to enhance the Park for the public is very serious and sincere. A distinctive quality of their work has to do with how their buildings are set in the landscape and what will be seen from inside when looking outside. The tower will be a fabulous revelation of the Park for the public and will add to the identity and pleasure of Golden Gate Park.

Marguerite Archer, Museum Docent – Encouraged the Trustees to expeditiously move forward. There are some people in San Francisco who enjoy negativity, and these individuals do not speak for the general public and should not be allowed to deter the building of a new de Young. The architect has tried so hard to please the public.

Philip Carleton, Alliance for Golden Gate Park – Remains startled by the concept of an observation deck in the Park. Because it is free, the tower and observation deck will bring hundreds into the Park by cars, trucks and sports utility vehicles. They may have no interest in the museum. Someone is going to get hurt, perhaps maimed or killed, because of the observation deck. The blood of that person will be on your hands. We do not need an observation deck in the Park. Hoped someone has the courage to say "no" to the plans.

3. Report on the Committee to Support the Design for the New de Young in Golden Gate Park

Belva Davis, Vice President of Civic Affairs, announced the formation of a Committee to Support the Design for the New de Young in Golden Gate Park. The Committee will help educate the public about the Herzog & de Meuron design, its attributes and its positive effect on the community. Approximately fifty individuals have agreed to serve on the Committee, which will be chaired by Trustee Davis. Those present were encouraged to join in the effort to communicate the new schematic and landscape plans to the community.

C. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey reported that to date cash gifts and pledges total $116,037,993. The Board of Trustees acknowledged this impressive accomplishment with a round of applause.

1. Consideration and Possible Action to Adopt a Resolution of Appreciation to The Herbst Foundation for Its Pledge of $7.5 Million in Support of the New de Young Museum in Golden Gate Park, to Accept the Conditions Associated with The Herbst Foundation Pledge, and to Honor the Late Haskell Titchell, Former Chairman of the Board of Directors of The Herbst Foundation

President Wilsey advised that a major pledge of $7.5 million from The Herbst Foundation was received last week. She particularly recognized the late Haskell Titchell, former Chairman of the Board of Directors of The Herbst Foundation, who was instrumental in stimulating the interest of The Foundation in the new de Young Museum project. Dwight Merriman, President of the Board of Directors of The Herbst Foundation, and Shirley Costello, Administrator, were welcomed and acknowledged with a round of applause. President Wilsey then read the following resolution.

WHEREAS, The building of a new de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums; and

WHEREAS, On May 31, 2000, The Herbst Foundation informed the Corporation of its $7.5 million pledge in support of the new de Young Museum in Golden Gate Park; and

WHEREAS, The Herbst Foundation's pledge of $7.5 million represents one of the most significant donations to the new de Young Museum; and

WHEREAS, In the letter dated May 31, 2000 from The Herbst Foundation certain conditions are associated with The Herbst Foundation pledge as follows: a) that the Museum Board will make an unconditional and irrevocable commitment to designate and give prominent name recognition to the exhibition hall or the traveling exhibition gallery as the "Herbst Gallery" in perpetuity in accordance with the Museums' Donor Recognition Policy; b) that the Museum Board will provide The Herbst Foundation with copies of future design renderings of the Herbst Gallery area, which shall include agreed upon signage over the main entrance and all other major public entrances, as well as directional signs to the gallery area, and such plans will be substantially consistent in terms of size, scope and renderings with the drawings previously submitted to The Foundation; c) that the plans will include the design of an appropriate sized plaque of bronze or comparable material to be installed at eye level, at or near the principal gallery entrance, with wording substantially as shown in the May 31, 2000 letter; and d) that following the commencement date as herein indicated, the grant will be paid in seven to ten annual installments of $750,000 or more[1]; now, therefore, be it

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[1] In a subsequent letter dated June 22, 2000, The Herbst Foundation requested the option to accelerate the amounts payable from time to time.

1. Consideration and Possible Action to Adopt a Resolution of Appreciation to The Herbst Foundation for Its Pledge of $7.5 Million in Support of the New de Young Museum in Golden Gate Park, to Accept the Conditions Associated with The Herbst Foundation Pledge, and to Honor the Late Haskell Titchell, Former Chairman of the Board of Directors of The Herbst Foundation (continued)

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby recognize with profound appreciation the extraordinary pledge of $7.5 million from The Herbst Foundation in support of the new de Young Museum, which will enhance the quality of life in San Francisco and the Bay Area; and, be it

FURTHER RESOLVED, That the Board of Trustees accepts the conditions associated with The Herbst Foundation pledge including a) that the Museum Board will make an unconditional and irrevocable commitment to designate and give prominent name recognition to the exhibition hall or the traveling exhibition gallery as the "Herbst Gallery" in perpetuity in accordance with the Museums' Donor Recognition Policy; b) that the Museum Board will provide The Herbst Foundation with copies of future design renderings of the Herbst Gallery area, which shall include agreed upon signage over the main entrance and all other major public entrances, as well as directional signs to the gallery area, and such plans will be substantially consistent in terms of size, scope and renderings with the drawings previously submitted to The Foundation; c) that the plans will include the design of an appropriate sized plaque of bronze or comparable material to be installed at eye level, at or near the principal gallery entrance, with wording substantially as shown in the May 31, 2000 letter; and d) that following the commencement date as herein indicated, the grant will be paid in seven to ten annual installments or $750,000[1] or more; and, be it

FURTHER RESOLVED, That the Board of Trustees acknowledges deepest gratitude the leadership and commitment of the late Haskell Titchell, former Chairman of the Board of Directors of The Herbst Foundation, who was instrumental in stimulating the interest of the Board of Directors of The Herbst Foundation in the New de Young Museum in Golden Gate Park.

On motion, duly seconded, there was no discussion among Trustees or members of the public. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 265** and again recognized the extraordinary generosity of The Herbst Foundation with a heartfelt round of applause.

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[1] In a subsequent letter dated June 22, 2000, The Herbst Foundation requested the option to accelerate the amounts payable from time to time.

D. Consideration and Possible Action to Adopt a Resolution Designating the Full and Final Principal Distribution in the Fine Arts Museums' Pooled Income Fund from Dorothy Spreckels Munn for the Benefit of the Acquisitions Fund of the California Palace of the Legion of Honor

President Wilsey advised that Honorary Trustee Dorothy Spreckels Munn passed away on January 20, 2000. Following her death, The Fine Arts Museums Foundation received $1,000,000 from the Dorothy S. Munn Revocable Trust, which funds are to be used for the benefit of the Acquisitions Fund of the Legion of Honor. On May 12, 2000, $405,603.59 representing the full and final principal distribution of the Dorothy Spreckels Munn interest in the Pooled Income Fund of the Fine Arts Museums was received. President Wilsey read the following resolution:

> WHEREAS, Dorothy Spreckels Munn, an Honorary Trustee of the Fine Arts Museums of San Francisco, was the daughter of Adolph and Alma de Bretteville Spreckels, who commissioned and gave the California Palace of the Legion of Honor to the people of San Francisco; and
>
> WHEREAS, In December 1980, a gift from Dorothy Spreckels Munn inaugurated the Pooled Income Fund of the Fine Arts Museums, which was made in response to a request from the then Director of Museums, Ian McKibbin White, in support of the growth of the permanent collection; and
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> WHEREAS, Following Mrs. Munn's death on January 20, 2000, the Trustees of the Dorothy S. Munn Revocable Trust informed the Museums that a legacy of $1,000,000 had been directed to The Fine Arts Museums Foundation, which funds are to be used for the benefit of the Acquisitions Fund of the California Palace of the Legion of Honor; and
>
> WHEREAS, On May 12, 2000, a check in the amount of $405,643.59 representing the full and final principal distribution of the Dorothy Spreckels Munn interest in the Pooled Income Fund of the Fine Arts Museums was received; now, therefore, be it
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> RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby designate the full and final principal distribution of the Dorothy Spreckels Munn interest in the Pooled Income Fund in the amount of $405,643.59 for the benefit of the Acquisitions Fund of the California Palace of the Legion of Honor; and, be it
>
> FURTHER RESOLVED, That the Board of Trustees recognizes the extraordinary generosity of Dorothy Spreckels Munn with profound appreciation.

On motion, duly seconded, there was no discussion among Trustees or members of the public. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 266.**

D. Appointment of 2000-01 Committees of the Board of Trustees

President Wilsey announced that committee appointments for 2000-2001 will be finalized by the end of the month.

IV. Report of the Chief Executive Officer - Harry S. Parker III

A. Report on COFAM Operating Budget as of April 30, 2000

At Mr. Parker's request, Steve Dykes, Deputy Director for Administration and Finance, presented the COFAM Operating Budget Report as of April 30, 2000. The *O'Keeffe* show (February 19th – May 14th) surpassed all expectations, closing with 206,023 visitors, compared to 144,300 forecast, making San Francisco the most popular venue on tour, generating substantial gains in store sales, general admission fees, exhibit surcharge income, and member dues. The popularity of this exhibition will put the budget into the black.

Cumulative ten month results were $1,658k compared to the $376k projected, owing to *O'Keeffe*-driven revenues and operating expenses still coming in somewhat lower than expected. The COFAM reserve was at an all time high of $3,749k, compared to $3,107k the month before. Board policy is to keep the reserve at $2 million or more. The *O'Keeffe* show closed on May 14th, and the loss of this revenue stream is expected to drop the reserve below $3 million by year end on June 30th. The reserve has seldom topped $3 million, and only since January 2000 did it climb over $2 million in the current fiscal year.

Total support was slightly more than budget with cumulative Annual Contributions falling $146k behind. Total revenue was up $493,000 for April and $925,000 for the year. Membership dues were $143k ahead of budget, with renewals and new members attributable to *O'Keeffe.*

Personnel costs to date were $111k (2%) less than budget with underages across-the-board. Other expenses continued to be under budget by $194k due largely to costs being incurred later than expected. As bills catch up before the fiscal year ends, other expenses are expected to resemble budget targets.

B. Consideration and Possible Action to Adopt a Resolution Authorizing the Transfer of Stock

Mr. Parker introduced the following resolution:

> RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums (COFAM) does hereby authorize that any two of the following individuals are fully authorized and empowered to sell, assign, transfer, and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by this

B. Consideration and Possible Action to Adopt a Resolution Authorizing the Transfer of Stock (continued)

Corporation and to make, execute, and delivery any and all written instruments necessary or proper to effectuate the authority hereby conferred, including execution of all written instructions necessary for our nominees, Wells Fargo Bank, Dresdner RCM Global Investors, and Merrill Lynch, to implement the transaction.

Authorized Individuals:
Harry S. Parker III, Chief Executive Officer
Stephen E. Dykes, Treasurer
Barbara Boucke, Deputy Director for Development.
Robert M. Cullison, Controller

On motion, duly seconded, there was no discussion among Trustees or members of the public. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 267.**

C. Report on Proposition G Passed by San Francisco Voters in November 1999 Which Amended Chapter 67 of the San Francisco Administrative Code, The Sunshine Ordinance

Mr. Parker advised that additional information will be provided at the next meeting regarding the applicability of a Sunshine Ordinance amendment to the Corporation of The Fine Arts Museums. This amendment requires the disclosure on the City's website of the amount and source of all gifts and whether the contributor has any financial interest in the City of San Francisco.

D. Report on the Ratification of the Contract by Local 790 United Public Employees, S.E.I.U., AFL-CIO

Mr. Parker reported that negotiations between COFAM and Local 790 have concluded and agreement has been reached to enter into a new contract.

V. Report of the Budget Committee – T. Robert Burke, Interim Chair

A. Consideration and Possible Action to Adopt an Interim Fiscal Year 2000-01 Operating Budget

As requested by Mr. Parker and in the absence of Trustee T. Robert Burke, Interim Chair of the Budget Committee, Mr. Dykes presented the COFAM Fiscal Year 2000-01 Interim Operating Budget, which represents about 70 percent of the Museums' operating budget. The Budget Committee met on May 31, 2000, reviewed the Interim Operating Budget at length, and recommended its adoption by the Board of Trustees.

A. Consideration and Possible Action to Adopt an Interim Fiscal Year 2000-01 Operating Budget (continued)

The interim operating budget is a $13.2 million with a $0.5 million shortfall after depreciation for FY 2000-01. A final proposal will be presented at the October 2000 Board of Trustees meeting, when two outstanding matters have been resolved.

The first matter is the amount of City reimbursement to COFAM for education programs and administrative and building operations. In the current fiscal year, $596,000 was appropriated. For next year, the amount dropped $353k to $243k in the initial budget request to the Mayor. The second unknown is the possibility of a major exhibition, which would run for four months in Winter / Spring 2001 at the Legion. While this show would not be hugely profitable, it has the potential to keep membership numbers up after the December 31, 2000 close of the de Young Museum.

The interim budget forecasts a $483k deficit after depreciation. With the December 31, 2000 close of the de Young Museum, a four and one-half year period begins before the new museum opens during which deficits are inevitable because the Legion cannot carry the institution, despite intensive programming and promotion.

The following highlight major resource and expense items: a) support totals $5.7 million; b) revenue is projected at $7.2 million with total attendance forecast at 635k; c) expenses total $13,407k (reduced to $13,164k by $243k in City reimbursement to COFAM), with $7,636k in personnel costs and $5,771k in other expenses.

President Wilsey thanked Mr. Dykes for his presentation and introduced the following resolution:

> WHEREAS, The COFAM Budget Committee recommended that the Board of Trustees adopt a FY 2000-01 interim operating budget because of two outstanding matters; and
>
> WHEREAS, Those outstanding matters are (1) the amount of reimbursement for COFAM services in the City budget, which will not be final until late July 2000; and (2) the outcome of negotiations for a possible major exhibition at the Legion of Honor in Winter / Spring 2001; now, therefore, be it
>
> RESOLVED, That the Board of Trustees approves the Interim FY 2000-01 COFAM Operating Budget of $13.2 million with a $0.5 million shortfall after depreciation; and be it
>
> FURTHER RESOLVED, That the COFAM Chief Executive Officer is instructed to present a final operating budget proposal at the October 12, 2000 board meeting, taking into account the resolution of major outstanding matters, as well as the close of the de Young Museum on December 31, 2000 to prepare for re-building.

A. Consideration and Possible Action to Adopt an Interim Fiscal Year 2000-01 Operating Budget (continued)

On motion, duly seconded, there was no discussion among Trustees or members of the public. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 268.**

B. Consideration and Possible Action to Adopt a Resolution Increasing the COFAM Reserve to Help Offset Anticipated Operating Shortfalls Due to the Closure of the de Young Museum for Re-Building

Mr. Dykes reported that the Budget Committee has recommended increasing the COFAM reserve to help offset anticipated operating shortfalls due to the closure of the de Young Museum at the end of December 2000. He read the following resolution:

> WHEREAS, The policy of the Board of Trustees has been to maintain a COFAM Reserve of at least $2 million, which has ranged from a low of $1.2 million to a high of $3.7 million; and
>
> WHEREAS, It has also been Board policy to plan and achieve balanced budgets; and
>
> WHEREAS, The closing of the M. H. de Young Memorial Museum on December 31, 2000 for re-building is anticipated to result in operating shortfalls until the new museum opens in Summer 2005; and
>
> WHEREAS, To offset the extraordinary operating shortfalls caused by closing the de Young Museum for five years, the Budget Committee has recommended increasing the COFAM Reserve to cover de Young Museum closure shortfalls; now, therefore, be it
>
> RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby authorize its President and Chief Executive Officer to increase the COFAM Reserve through restricted donations and all other means to help offset anticipated operating deficits caused by closing the de Young Museum for re-building.

On motion, duly seconded, there was no discussion among Trustees or members of the public. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 269.**

VI. Report of the Audit Committee – Michael E. O'Neill, Chair

A. Consideration and Possible Action to Adopt a Resolution Appointing Auditors

Trustee Michael E. O'Neill, Chair of the Audit Committee, introduced and recommended the following resolution for adoption by the Board of Trustees:

> RESOLVED, That PriceWaterhouseCoopers is appointed to audit the combined balance sheet of the Fine Arts Museums of San Francisco (FAM) as of June 30, 2000 and the related combined statements of revenues, expenses and changes in fund balances for the year then ended; and that the combined financial statements will include COFAM, The Fine Arts Museums Foundation (FAMF), and FAM as recorded on the books of the City and County of San Francisco; and be it
>
> FURTHER RESOLVED, That PriceWaterhouseCoopers is also appointed to undertake a COFAM Retirement Plan Audit and a Registration Department Agreed-Upon Procedures Review; and be it
>
> FURTHER RESOLVED, That COFAM's share of the audit cost of the combined financial statement for COFAM, FAM and FAMF plus the COFAM Retirement Plan Audit and the Registration Procedures Review will be about $68,685 including out-of-pocket costs.

On motion, duly seconded, there was no discussion among Trustees or members of the public. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 270.**

VII. Report of the Education Committee – Nancy Willis, Chair

A. Report on the Education Council Treasure Hunt, June 12, 2000, 4:30 p.m. to 7 p.m., de Young Museum

Trustee Nancy Willis, Chair of the Education Committee, showed three cake forms to be decorated by children attending the Family Day on June 24th at the Legion in conjunction with the *Wayne Thiebaud* exhibition. A booklet to be distributed to children on Family Day, which includes art terminology and a pad for notes and drawings, was circulated, as well as a new postcard providing information about the Artist Studio.

A Treasure Hunt for all ages at the de Young Museum on June 12th from 4:30 to 7 p.m. has been planned as a kick-off event for the Education Council. The Treasure Hunt will include three different "hunts" where participants will look for specific items in works of art in the galleries. The event will also feature behind-the-scenes tours of the conservation lab and an artist at work in the Artist Studio. Trustee Willis concluded her remarks by noting that the purpose of the Education Council is to involve young individuals and families in the Fine Arts Museums.

VIII. Report of the Annual Support Committee – Barbara Boucke, Deputy Director for Development, for Dagmar Dolby, Chair and Vice President

Barbara Boucke, Deputy Director for Development, provided the report of the Annual Support Committee in the absence of Trustee Dagmar Dolby, Chair and Vice President of Annual Support. Ms. Boucke noted that the annual fund is approximately $150,000 behind budget projections, and encouraged Trustees to participate in this important fund-raising effort if they have not already done so.

Gina Tan, Director of Membership and Annual Fund, was introduced and announced that membership totaled 54,000 at the end of May, which represents an increase of 10,000 members in two years. The membership renewal rate of 81% is impressive for a large membership program. A new, innovative Members' Guide is being printed and will be mailed in the first week of July.

IX. Report of The Fine Arts Museums Foundation – Charles Crocker, President

President Crocker reported that at the close of business on June 2, 2000 the endowment portfolio was valued at $84,892,398. It was invested 65% in equities, 34% in fixed income, and 1% in cash and cash equivalents.

X. Adjournment – Diane B. Wilsey, President

There being no further business, President Wilsey adjourned the meeting at 5:35 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Board of Trustees on matters stated, but not necessarily in the order in which the matters were considered.

Immediately following this meeting, a Members Meeting of The Fine Arts Museums Foundation was held.

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CORPORATION OF THE FINE ARTS MUSEUMS

Executive Committee
Board of Trustees

September 7, 2000

I. Calling of the Meeting to Order – Diane B. Wilsey, President

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums of San Francisco was held on Thursday, September 7, 2000, in the 6th Floor Conference Room of the Museums' Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 12:56 p.m. by Diane B. Wilsey, President. President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

Present:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Dagmar Dolby, Vice President/Annual Support
Richard P. Essey
Richard H. Finn, Vice President/Finance
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
J. Alec Merriam, Vice President
Robert A. Mills
Steven MacGregor Read
Shelagh Rohlen
Diane B. Wilsey

Excused:

Charles Crocker
Nion McEvoy
Michael E. O'Neill

Other Trustees in Attendance:

Barnaby Conrad III
Nan Cook
Nancy Hamon
Leonard E. Kingsley
Stephanie MacColl

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Other Trustees in Attendance (continued):

Marianne Peterson
Randolph Scott
Lonna Wais

Non-voting Officers Present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

III. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the June 8, 2000 Meeting of the Board of Trustees

There being no discussion among the Trustees or members of the public, the minutes of the June 8, 2000 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the Plans for a New de Young Museum in Golden Gate Park

President Wilsey reported that the public hearing for the Draft Environmental Impact Report (EIR) for the New de Young Museum was held at the August 24, 2000 meeting of the San Francisco Planning Commission. Written public comment pertaining to the Draft EIR was accepted by the San Francisco Planning Department through August 29, 2000.

Mr. Parker particularly discussed the submission of two written comments from the Department of Parks and Recreation of the State of California Office of Historic Preservation and the San Francisco Recreation and Park Department. The letter from the Office of Historic Preservation, which has broad responsibility for the implementation of both federal and state historic preservation programs in California, stated that the San Francisco Planning Department analysis of the EIR was inadequate to support a finding of no impacts to historical or cultural resources. The San Francisco Recreation and Park Department letter addressed a number of topics and included a suggestion that more extensive analysis of the proposed project as it relates to the historic landscape of Golden Gate Park was needed, and that the height of the education tower, combined with its use of glass, could impact the scenic views of the park and its historic landscape character.

The written comments along with responses by the Planning Department will be recorded in the Final EIR to be issued this fall. It is anticipated that a meeting of the Planning Commission to vote on certifying the Draft EIR for the New de Young Museum will be scheduled before the end of the year.

B. Report on the Committee to Support the Design for the New de Young in Golden Gate Park

Trustee Davis, Chair of the Committee to Support the Design for the New de Young in Golden Gate Park, reported that approximately fifty individuals have agreed to serve as members. The purpose of the Committee is to help educate the public about the Herzog & de Meuron design, its attributes and its positive community effects. The Committee was launched at a luncheon this spring, followed by a viewing of the revised schematic and landscape plans at the de Young in July. Over the summer, a community newspaper campaign encouraged the public to view the revised Herzog & de Meuron exhibition at the de Young. In addition, several architect members of the Committee have contacted other San Francisco architects, resulting in sixty-four signatures to date in support of the Herzog & de Meuron design.

C. Consideration and Possible Action to Adopt a Resolution to Support Saturday Closure of John F. Kennedy Drive in Golden Gate Park After an Integrated Overview of Transportation and Circulation in Golden Gate Park Has Been Completed by the Concourse Authority and a Concourse Underground Parking Facility Has Been Built and Is in Operation and to Authorize COFAM to Support the Committee for an Open and Accessible Park

President Wilsey noted that Trustee Kingsley has agreed to Chair the Committee for an Open and Accessible Park, the political committee opposing Proposition F and supporting Proposition G. Trustee Kingsley reported that a citizen's initiative, Proposition F, which calls for the Saturday closure of John F. Kennedy Drive in Golden Gate Park effective January 1, 2001, has been placed on the November 2000 San Francisco ballot. Proposition F is disadvantageous to the cultural organizations in Golden Gate Park, whose large numbers of weekend visitors would fall off.

Following a meeting of representatives from the California Academy of Sciences and the Fine Arts Museums with Warren Hellman and George Hume, Co-chairs of the Music Concourse and Garage Fund Steering Committee, the Committee for an Open and Accessible Park was created in support of Proposition G. Proposition G, The Golden Gate Park Accessibility, Enhancement and Safety Act, supports the closure of Kennedy Drive on Saturdays after a Concourse underground parking facility has been built. It was submitted by six members of the San Francisco Board of Supervisors for the November 2000 ballot to ensure the accessibility of Golden Gate Park for all San Franciscans. Political consultant, Mary Hughes, has been hired to manage the Proposition G campaign. It was pointed out that the proposition (Proposition F or Proposition G), which receives the largest number of votes over fifty percent, will win. Trustee Kingsley concluded his remarks by encouraging support for Proposition G and the campaign effort.

Public comment from Tomasita Medál was then received. Ms. Medál suggested that Proposition G can win and stated her sentiment that Saturday closure should not be supported in any form in order to ensure the greatest public access to Golden Gate Park. She reminded the Executive Committee that permanent seven day closure of Middle Drive

West, from Transverse Drive to Martin Luther King Jr. Drive at the west end of the Park has been in effect for the past two years.

President Wilsey then read the following resolution:

WHEREAS, With the initiation of the Sunday closure of John F. Kennedy Drive in Golden Gate Park in 1967, the Board of Trustees of the Fine Arts Museums of San Francisco has documented its concerns over the importance of adequate access to the M. H. de Young Museum; and

WHEREAS, The Board of Trustees of the Fine Arts Museums of San Francisco passed Board Resolution 1205 on August 14, 1996 supporting improvements to reduce motor vehicle traffic in Golden Gate Park, including further closings of Golden Gate Park roads when adequate alternative means of access and parking are in place for Museum visitors, such as improved public transit (especially on weekends), a convenient Concourse underground parking facility to replace any parking spaces removed from Golden Gate Park roads, and the use of shuttles during peak visitor periods (major exhibitions, summer weekends, etc.); and

WHEREAS, San Francisco voters passed Proposition J, the Golden Gate Park Revitalization Act, in June 1998, which established a Concourse Authority charged with building a privately funded underground parking facility in the Park, and to accomplish a comprehensive plan for parking, transportation improvements and traffic mitigation measures in the Park; and

WHEREAS, A citizen's initiative, Proposition F, which calls for the Saturday closure of John F. Kennedy Drive in Golden Gate Park effective January 1, 2001, has been placed on the November 2000 ballot; and

WHEREAS, Proposition G, The Golden Gate Park Accessibility, Enhancement and Safety Act, which would delay the Saturday closure of John F. Kennedy Drive until after the construction of the parking garage under the Concourse, has been submitted by six members of the San Francisco Board of Supervisors for the November 2000 San Francisco ballot to ensure the accessibility of Golden Gate Park for all San Franciscans; now, therefore, be it

RESOLVED, That the Executive Committee supports Saturday closure of John F. Kennedy Drive in Golden Gate Park after an integrated overview of transportation and circulation has been completed by the Concourse Authority and a Concourse underground parking facility has been built and is in operation; and be it

FURTHER RESOLVED, That the Executive Committee of the Board of Trustees does hereby authorize the President of the Board of Trustees and the Chief Executive Officer of the Corporation of The Fine Arts Museums to support the Committee for an Open and Accessible Park, the political committee opposing Proposition F and supporting Proposition G; and, be it

FURTHER RESOLVED, That the President of the Board of Trustees and the Chief Executive Officer of the Corporation of The Fine Arts Museums are further authorized to contribute COFAM funds to the Committee for an Open and Accessible Park, within permissible legal limits and subject to campaign disclosure rules.

On motion, duly seconded, discussion ensued. Trustee Baum suggested that the second line of the fifth paragraph of the resolution be revised to add the word "Saturday" before "closure of John F. Kennedy Drive." There was no further discussion among Trustees or members of the public. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 271** as amended by Trustee Baum.

D. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

1. Consideration and Possible Action to Adopt a Resolution Recommending that the Board of Trustees Take Action at Its October 12, 2000 Meeting to Increase the Fund-raising Goal for a New de Young Museum in Golden Gate Park

President Wilsey noted that the following resolution relates to the Report of the New de Young Building Committee, which will be addressed at greater length later in the agenda. At its recent meeting, the Committee reviewed the progress of the planning for the new building, as well as the construction cost estimates for the schematic design phase, and passed a resolution to accept the cost estimate of $115,000,000 as a not-to-exceed construction budget for purposes of planning the New de Young project. It was pointed out that the increase in the original construction cost estimate of $85,000,000 was due to the identification of new objectives and program requirements for the new building, such as a base isolation structural system, energy-efficient system requirements, new landscape features such as the Children's Garden and courtyards, and ongoing inflation in the local construction industry.

Consequently, the original fund-raising goal of $135,000,000 for the Capital Campaign for a New de Young Museum in Golden Gate Park needs to be increased at this time. President Wilsey, however, stressed the critical importance of not exceeding the $115,000,000 construction budget.

President Wilsey announced that to date the capital campaign totals $130,157,248 in cash gifts and pledges. The Executive Committee acknowledged the efforts of the President and the Capital Campaign Committee with a round of applause.

President Wilsey then read the following resolution:

WHEREAS, A fund-raising goal of $44 million was established in conjunction with the $73.3 million general obligation bond measure to rebuild the de Young Museum in 1996 and the $89.9 million general obligation bond measure to rebuild the de Young in 1998, both of which narrowly failed to attain the two-thirds vote required for passage; and

WHEREAS, At its meeting on October 15, 1998, the Board of Trustees of the Fine Arts Museums of San Francisco reaffirmed its commitment to build a new de Young Museum in Golden Gate Park and further recognized that, in the absence of public funding for a new de Young Museum, private funds must be utilized to pay for the planning costs of a new de Young; and

WHEREAS, On June 10, 1999, the Board of Trustees of the Corporation of The Fine Arts Museums adopted a resolution approving a Statement of Need and Opportunity for a New de Young Museum in Golden Gate Park, and establishing a fund-raising goal of $135 million for the new de Young Museum and a timetable for the Campaign to Build a New de Young Museum in Golden Gate Park to commence in the fall of 1999; and

WHEREAS, The New de Young Building Committee has reviewed the progress of the planning for the new building, as well as the construction cost estimates for the schematic design phase, and passed a resolution to accept the cost estimate of $115,000,000 as a not-to-exceed construction budget for purposes of planning this project; and

WHEREAS, The new de Young building project will require significant additional expenditures, including but not limited to, architectural and engineering fees, permits and inspections, legal and environmental review fees, project and construction management costs, fund-raising and marketing, equipment, furniture and fixtures for the new building, hazardous materials abatement for the existing building, as well as off-site and relocation costs; now, therefore, be it

RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums recommends that the Board of Trustees take action at its October 12, 2000 meeting to increase the fund-raising goal for a new de Young Museum in Golden Gate Park to $165,000,000; and, be it

FURTHER RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums expresses its profound appreciation to the President of the Board of Trustees and the Campaign Committee for a New de Young Museum for their extraordinary fund-raising accomplishment thus far; and, be it

FURTHER RESOLVED, That the Board of Trustees recognizes with heartfelt gratitude the 3,738 donors who have expressed their generous support for the new de Young Museum building project through their contributions and pledges.

On motion, duly seconded, discussion ensued. Trustee Baum recommended that the resolution be revised to include an explanation for the increase in the construction cost budget. Trustees Hecksher suggested that the resolution might emphasize the success of the current fund-raising effort, and Trustee Davis recommended including a reference to the public's input into the process of defining the new de Young Museum. The Executive Committee concurred and authorized the President of the Board of Trustees and the Chief Executive Officer of COFAM to draft the additional recommended language. There was no further discussion among Trustees. There was no public comment. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 272** as amended.

E. Consideration and Possible Action to Accept the Net Proceeds from the April 7, 2000 Event Honoring the 25th Anniversary of Curator Robert Flynn Johnson Designated for the New de Young Museum – Farrell Schell, Chair, and William Clark, 2nd Vice Chair, Achenbach Graphic Arts Council

Mr. Farrell Schell, Chair, and William Clark, 2nd Vice Chair, of the Achenbach Graphic Arts Council presented President Wilsey with a check for $17,370 for the New de Young Museum in Golden Gate Park. The check represents the proceeds from the April 7, 2000 Achenbach Graphic Arts Council event honoring the 25th anniversary of Curator Robert Flynn Johnson. President Wilsey accepted the check with great pleasure, and the Executive Committee recognized the efforts of Mr. Schell, Mr. Clark and the Achenbach Graphic Arts Council with a round of applause.

IV. Director's Report - Harry S. Parker III

A. Report on Applicability of Chapter 67 of the San Francisco Administrative Code, The Sunshine Ordinance, to the Corporation of the Fine Arts Museums

Mr. Parker advised that additional information will be provided regarding the applicability of amendments to the Sunshine Ordinance to the Corporation of The Fine Arts Museums. Specifically, the relationship of the amendments to COFAM donors will be addressed.

B. Consideration and Possible Action to Adopt a Resolution Authorizing the Chief Executive Officer to Enter into a Lease Agreement for Temporary Space for the de Young Collections and Staff During the Four and One-half Year Period the de Young Museum Is Closed to the Public Beginning January 1, 2001

Mr. Parker reported that negotiations with the San Francisco Airport concerning a lease for temporary space for the de Young collections and staff are moving forward. He requested authorization to proceed to enter into a lease agreement as set forth in the following resolution:

RESOLVED, That the Executive Committee of the Board of Trustees does hereby authorize the Chief Executive Officer of the Corporation of The Fine Arts Museums to enter into a lease agreement for temporary space for the de Young collections and staff during the four and one-half year period the de Young Museum is closed to the public beginning January 1, 2001.

On motion, duly seconded, there was no discussion among Trustees or members of the public. The Executive Committee voted unanimously to adopt the foregoing resolution as **Board Resolution 273.**

C. Other Informational Item

In response to a question raised by Trustee Hecksher, Mr. Parker presented some of the ideas under consideration to commemorate the closure of the de Young Museum building on December 31, 2000. In an effort to make the de Young Museum as accessible as possible the feasibility of waiving admission fees and keeping the de Young open all night on December 30th are being considered. Docent tours and children's activities are being organized. Pam McDonald, Director of Audience Development and Civic Affairs, is planning a ceremonial event to be held on December 30th or 31st involving civic and community leaders. The fall issue of the FAM magazine will include a series of nostalgic photographic portraits of the de Young taken by San Francisco photographer, Michael Kenna. The Executive Committee expressed support for these ideas to mark the closure of the de Young Museum building.

In response to a question raised by Trustee Essey, Mr. Parker noted that a fund-raising benefit focusing on the demolition of the de Young building could be organized in mid-2001 after the collection and staff have moved out. At this time, memorabilia from the building, such as the roof tiles, could be available as souvenirs.

V. Report of the New de Young Building Committee – Steven MacGregor Read, Chair

A. Report that a Resolution Was Adopted by the New de Young Building Committee to Accept the Cost Estimate of $115,000,000 as a Not-to-Exceed Construction Budget for Purposes of Planning the New de Young Building Project

Trustee Read stressed the significance of the $115,000,000 cost estimate for the construction budget for the new de Young. In addition to placing responsibility on the New de Young Building Committee and staff to deliver the new de Young building within this $115,000,000 construction budget, it represents the culmination of years of work and the realization of the gift of the new de Young Museum to the City of San Francisco.

VI. Report of the Annual Support Committee – Dagmar Dolby, Chair and Vice President

Barbara Boucke, Deputy Director for Development, provided the Annual Support Committee report in the absence of Trustee Dolby. Annual funds raised for FY 1999-2000 fell short of the $2,665,000 goal by approximately $180,000 as a result of a decision not to conduct the customary annual fund mailing or telephone drive. Instead, efforts were directed to raise an additional $1.6 million for the *My de Young* campaign for the new building.

Ms. Boucke distributed invitations to the openings of *The Kingdoms of Edward Hicks* and *Great Nature: The Transcendent Landscapes of Chiura Obata* at the de Young Museum on September 21st and *An American Focus: The Anderson Graphic Arts Collection* at the Legion of Honor on October 5th. The first meeting of a new fund-raising organization, Peninsula Friends, will be held on September 24th at the home of Susan and Ernie Collins and will feature Curators Lee Miller, Kathy Berrin and Robert Flynn Johnson. Save the date cards for the Elegant Christmas Party on December 13th will be mailed shortly.

VII. Report of The Fine Arts Museums Foundation – Charles Crocker, President

In Mr. Crocker's absence, Steve Dykes, Treasurer of the Corporation of The Fine Arts Museums, provided the report of the The Fine Arts Museums Foundation. At the close of business on September 1, 2000, the endowment portfolio was valued at an all time high of $89,751,684. It was invested 64% in equities, 33% in fixed income, and 3% in cash equivalents.

VIII. Adjournment – Diane B. Wilsey, President

There being no further business, President Wilsey adjourned the meeting at 2:15 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Executive Committee on matters stated, but not necessarily in the order in which the matters were considered.

Appendix A

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CORPORATION OF THE FINE ARTS MUSEUMS

Executive Committee
Board of Trustees

December 14, 2000

I. Calling of the Meeting to Order – Diane B. Wilsey, President

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums of San Francisco was held on Thursday, December 14, 2000, in the 6th Floor Conference Room of the Museums' Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 1:21 p.m. by Diane B. Wilsey, President. President Wilsey welcomed Lonna Wais, who has been recommended to serve on the Executive Committee replacing Michael E. O'Neill. Trustee O'Neill has recently moved to Honolulu, Hawaii. President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

Present:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Dagmar Dolby, Vice President/Annual Support
Richard P. Essey
Richard H. Finn, Vice President/Finance
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
J. Alec Merriam, Vice President
Robert A. Mills
Nion McEvoy
Steven MacGregor Read
Diane B. Wilsey

Excused:

Charles Crocker
Michael E. O'Neill
Shelagh Rohlen

Other Trustees in Attendance:

Nan Cook
Gail Merriam
William A. Stimson
Lonna Wais

Non-voting Officers Present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

II. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the October 12, 2000 Meeting of the Board of Trustees

There being no discussion among the Trustees or members of the public, the minutes of the October 12, 2000 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the Plans for a New de Young Museum in Golden Gate Park

1. Report on the Draft Environmental Impact Report for the New de Young Project

President Wilsey reported on the joint meeting of the San Francisco Planning Commission and the Recreation and Park Commission on December 7, 2000 regarding the Draft Environmental Impact Report for the New de Young Museum in Golden Gate Park. She acknowledged the significance of this December 7th hearing emphasizing that all of the approvals and findings were received that are necessary for the new de Young Museum project to proceed.[1]

2. Report on the Committee to Support the Design for the New de Young in Golden Gate Park

At the request of President Wilsey, Carolyn Macmillan, Deputy Director for Marketing and Communications, reported that approximately 110 supporters of the New de Young Museum attended the December 7, 2000 joint meeting of the San Francisco Planning Commission and the Recreation and Park Commission. Many spoke urging the certification of the New de Young Museum Project Environmental Impact Report. About 10 individuals spoke opposing the certification of the EIR. Three letters in support of the design of the New de Young were submitted into the record of the San Francisco Planning Commission: a) a letter signed by 75 artists and art educators; b) a letter signed by 25 landscape architects; and c) a letter signed by over 200 architects. In addition, President Wilsey's remarks stressed the fact that more than 4,000 donors have made cash gifts and pledges in support of the New de Young.

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[1] This matter was reported in detail at the December 14, 2000 meeting of the Executive Committee of the Board of Trustees of the Fine Arts Museums of San Francisco and is documented on pages 2883 to 2886 of those minutes.

Ms. Macmillan proceeded to review the results of the December 10, 2000 district elections for San Francisco supervisors. Four incumbent supervisors were re-elected with seven districts electing new supervisors as follows:

District 1 - Richmond - Jake McGoldrick
District 2 - Pacific / Presidio Heights - Gavin Newsom (incumbent)
District 3 - North Beach / Chinatown / Nob Hill - Aaron Peskin
District 4 - Outer Sunset - Leland Yee (incumbent)
District 5 - Haight / Inner Sunset - Matt Gonzalez
District 6 - SOMA / Civic Center / Tenderloin - Chris Daly
District 7 - West Portal - Tony Hall
District 8 - Castro / Noe Valley - Mark Leno (incumbent)
District 9 - Mission / Bernal Heights - Tom Ammiano (incumbent)
District 10 - Bayview / Hunter's Point / Potrero - Sophie Maxwell
District 11 - Excelsior / Outer Mission - Gerardo Sandoval

After the supervisors have been sworn into office on January 8, 2001, meetings will be scheduled to bring them up-do-date on the New de Young Museum project.

C. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey announced that to date the capital campaign totals $140,023,052 in gifts and pledges from 4,191 donors. She reported that the *My de Young* campaign has raised $1,627,355 with the new direct mail campaign, *Your de Young*, totaling $639,175. Funds raised by the President total $121,990,260. Totals for the New de Young Capital Campaign committees are: a) Outreach Committee, $226,615; b) Supporting Organizations Committee, $1,502,267; c) FAMily Committee, $8,887,380; and d) Foundations and Corporations Committee, $5,150,000. The Executive Committee recognized the significance of this fund-raising effort with a round of applause.

D. Other Information Item

President Wilsey announced that Richard W. Goss II has agreed to serve as Chair of the Audit Committee, replacing Trustee Michael E. O'Neill, who, as noted above, has recently moved to Honolulu, Hawaii.

IV. Director's Report - Harry S. Parker III

A. Report of the COFAM Operating Budget as of October 31, 2000

At the request of Mr. Parker, Steve Dykes, Deputy Director of Administration and Finance gave the COFAM Operating Budget report as of October 31, 2000. Cumulative four month FY 2000-01 results were $272,000, compared to the $325,000 projected. The *Thiebaud* show carried the summer at the Legion, much as the Asian's *China* show strengthened de Young attendance. Going into the fall, the *Hicks* and *Obata* exhibits at the de Young Museum are drawing moderate crowds, but Legion October visitors were down to 16,600 with the *Anderson* show. These patterns will likely continue until the year-end surge what with the closing of the de Young Museum on December 31, 2000 and Legion seasonal visitor uptick between Christmas and New Year's Day.

The COFAM reserve was $3,660,000 at the end of October, compared to $3,196,000 the month before. The increase is due primarily to the second quarter receipt of endowment support from the FAM Foundation. Board policy is to keep the reserve at $2 million or more. The current high reserve is the legacy of the *O'Keefe* exhibit surplus from last fiscal year.

On the whole, the first four months of the fiscal year generally tracked the budget plan, with some erosion in admissions, store sales and membership revenues. While minor ups and downs can be expected in November and December, the test of the budget plan will occur after the de Young Museum closes on December 31, 2000.

B. Consideration and Possible Action to Designate Investment Income Generated from Donated Funds for the New de Young Museum and Legion of Honor Projects

Mr. Parker advised that this proposed resolution clarifies that investment income generated from donations made to the New de Young Museum and Legion of Honor Projects will be designated to support those Projects. He presented the following resolution:

> WHEREAS, The American Institute of Certified Public Accounts (AICPA) Generally Accepted Accounting Principals (GAAP) treat all investment income as unrestricted; and
>
> WHEREAS, The New de Young Museum and Legion of Honor Projects donor funds generate significant investment income annually; and
>
> WHEREAS, It is more closely related to the intention of the donors to use this investment income to support the Projects for which the funds generating the income were donated; now, therefore, be it
>
> RESOLVED, That investment income generated from donations made to the New de Young Museum and Legion of Honor Projects will be designated to support those Projects.

A motion was made and seconded. In response to a question raised by Trustee Hecksher, Mr. Parker stated that approximately $52 million in funds for the New de Young Museum project is in hand. There was no further discussion among Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 277.**

C. Consideration and Possible Action to Adopt a Resolution Amending the COFAM Pension Plan to (1) Provide the Rollover of an Early Retirement Offering Lump Sum Payout to an Individual Retirement Account or Another Employer's Pension Plan and (2) Limit Annual Employee Compensation Taken into Account Under the Plan as Required by Law for the Purpose of Determining Retirement Benefits

Mr. Parker requested Mr. Dykes to address the proposed resolution, which relates to the early retirement opportunity effective July 1, 1999 accepted by eleven employees. Mr. Dykes explained that these employees were offered two choices: a) an early pension; or b) a lump sum payout. If an employee chose a lump sum payout, the employee may take the lump sum payout, or roll it over into an individual retirement plan or another employer's pension plan. The early retirement offer was accomplished in accordance with IRS procedures and with the instructions of PriceWaterhouseCoopers. A recent IRS audit confirmed that procedures were appropriate. However, it was recommended that a direct rollover provision, as well as a provision stating an annual compensation limit to be used in computing the retirement calculation, be added to the Retirement Income Plan of the Corporation of The Fine Arts Museums.

The following resolution was introduced:

> RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby approve Amendment Number Six to the Retirement Income Plan of the Corporation of the Fine Arts Museums, as amended and restated effective July 1, 1989.

AMENDMENT NUMBER SIX
TO THE
RETIREMENT INCOME PLAN
OF THE
CORPORATION OF THE FINE ARTS MUSEUMS

(As Amended and Restated Effective July 1, 1989)

The Retirement Income Plan of the Corporation of The Fine Arts Museums, as restated effective July 1, 1989, is further amended as set forth below:

(1) New Section 3.9 ("Direct Rollovers") is added, to read as follows:

3.9 Direct Rollovers

(a) Notwithstanding any provision of the plan to the contrary that would otherwise limit a distributee's election, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions:

(i) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(ii) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(iii) Distributee: A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse. Section 2.4. Direct rollover: A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

(2) Section 1.27 ("Final Average Earnings") is amended by adding a new paragraph (f) at the end thereof to read:

(f) In addition to other applicable limitations set forth in the plan, and notwithstanding any other provision of the plan to the contrary, for plan years beginning on or after January 1, 1994, the annual compensation of each employee taking into account under the plan shall not exceed the OBRA 1993 annual compensation limit. The OBRA 1993 annual compensation limit is $150,000, as adjusted by the Commissioner for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA 1993 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For plan years beginning on or after January 1, 1994, any reference in this plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA 1993 annual compensation limit set forth in this provision.

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA 1993 annual compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first plan year beginning on or after January 1, 1994, the OBRA 1993 annual compensation limit is $150,000.

A motion was made and seconded to adopt the proposed resolution. There was no discussion among Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 278.**

D. Consideration and Possible Action to Adopt a Resolution to Designate the Third and Final Distribution from the Mildred Landstrom Trust to Unrestricted Art Acquisition

A third and final distribution of $2,321.78 was received from the Mildred Landstrom Trust on November 15, 2000. Mr. Parker advised that the proposed resolution designates this distribution for unrestricted art acquisition, which is in keeping with an earlier resolution adopted by the Executive Committee on September 9, 1999 designating prior distributions to unrestricted art acquisition.

The following resolution was introduced:

WHEREAS, On August 17, 1995, John E. Sears, attorney representing the Mildred Landstrom Trust, informed the Museums that Mildred Landstrom had named the Fine Arts Museums of San Francisco as a beneficiary; and

WHEREAS, An initial and secondary distribution in the amounts of $7,302.66 and $12,000.00 were received from the Mildred Landstrom Trust on September 24, 1996 and July 13, 1999, respectively; and

WHEREAS, At its meeting on November 22, 1996, the Acquisitions Committee approved the use of the preliminary distribution to purchase, in part, a painting by Taneyuki Dan Harada, Barracks: Topaz with the understanding that the second, future distribution would complete the funding of this painting; and

WHEREAS, Upon the recommendation of the Chief Executive Officer, the Executive Committee of the Board of Trustees at its meeting on September 9, 1999 approved the disposition of the second distribution to complete the funding of the Harada painting as approved by the Acquisitions Committee on November 22, 1996 and designated the remaining $9,300 for unrestricted art acquisition; and

WHEREAS, A third and final distribution in the amount of $2,321.78 was received on November 15, 2000; and

WHEREAS, The Chief Executive Officer has recommended that the third and final distribution from the Mildred Landstrom Trust in the amount of $2,321.78 be designated for unrestricted art acquisition; now, therefore, be it

RESOLVED, That upon the recommendation of the Chief Executive Officer, the Executive Committee of the Board of Trustees does hereby restrict the third and final distribution from the Mildred Landstrom Trust in the amount of $2,321.78 for unrestricted art acquisition.

A motion was made and seconded to adopt the proposed resolution. There was no discussion among Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 279.**

V. Report of the Civic Affairs and Audience Development Committee – Belva Davis, Chair and Vice President

Chair Davis reviewed the appended calendar of farewell events at the de Young Museum particularly noting the closing activities during the last week of December. Chair Davis pointed out that the farewell events have been planned to strike the right balance in commemorating the de Young's past history and celebrating its future. The closing day ceremonies on December 31st will be preceded by group photo sessions of Trustees, staff and all who attend the historic last day at the de Young Museum. The de Young will be open to the public free of charge from December 26th until December 31st and will remain open all night on December 30th. Invitations to the farewell ceremonies will be mailed shortly.

Pam McDonald, Director of Audience Development and Civic Affairs, discussed the program for the farewell ceremonies in detail, noting that Chair Davis will serve as Mistress of Ceremonies and highlighting participating dignitaries included in the attached draft program. A special exhibition on the history of the de Young Museum will include a video presentation in Gallery 23. Ms. McDonald was thanked for her efforts in organizing the closing activities in preparation for the construction of the New de Young Museum in Golden Gate Park and its anticipated completion in mid-2005.

VI. Report of the Enterprise Task Force – Jamie Bowles and Richard P. Essey, Co-Chairs

Co-Chair Essey stated that the purpose of the Task Force is to increase profits from the stores, food and beverage services and facility rentals. The Legion store will be the initial area of focus in view of the loss of revenue from the de Young store due to the closure of the de Young Museum on December 31, 2000. The Committee will also consider the layout and merchandising of the new de Young store. As a first step, several store designers will be interviewed and asked to submit recommendations for the Legion store. Co-Chair Essey pointed out that several members of the Committee have experience in merchandising and retailing.

Trustee Davis inquired as to the feasibility of a downtown Fine Arts Museums store. Mr. Parker stated that the capital requirements for a downtown store are significant. He emphasized the importance of maximizing the potential of the new de Young store, including the experience gained at the Legion store. Trustee McEvoy offered to be of assistance in identifying individuals with specific merchandising and retailing expertise in museums and bookstores. Additional suggestions included expanding internet sales, publishing a store catalogue, and sending representatives to a national conference of museum store managers.

VII. Report of the Annual Support Committee – Dagmar Dolby, Chair and Vice President

Chair Dolby reported that at year-end annual contributions are projected to reach approximately $1.2 million of the annual goal of $2,665,000. A preliminary tally of the proceeds from last night's Elegant Christmas Ball totaled $100,000 in ticket sales. Cultivation events are scheduled into the new year and include a Museum Associates program on January 22nd, "The Art of Acquiring Art", featuring Curators Tim Burgard, Robert Flynn Johnson, Melissa Leventon and Lee Miller.

VIII. Report of The Fine Arts Museums Foundation – Charles Crocker, President

A. Report on Action to Change the Endowment Asset Allocation and Investment Strategy

Mr. Parker recommended that this matter be deferred until Trustee Crocker is present to discuss an important policy change in the endowment asset allocation and investment strategy currently under consideration by the Board of Trustees of The Fine Arts Museums Foundation.

B. Consideration and Possible Action to Adopt a Resolution Whereby the Corporation of The Fine Arts Museums Declares Its Intention to Reimburse Itself with the Proceeds of a Tax-Exempt Financing for Expenses Incurred in Connection with the Acquisition and Construction of the New M. H. de Young Memorial Museum

Mr. Parker reported that The Fine Arts Museums Foundation is also considering the potential financing of some of the cash flow required for the building of the New de Young Museum. While the Foundation continues its deliberations, its financial advisors have recommended that the proposed resolution prepared by bond counsel be adopted. The resolution allows for certain fees and expenses to be applied to the debt immediately following a decision on a specific financing alternative.

In response to a question raised regarding the $60 million maximum principal amount of debt expected to be issued for the de Young project, it was pointed out that this figure is viewed as a not-to-exceed amount. Mr. Parker responded to a question from Trustee Cook advising that COFAM, not the Foundation, would be the entity borrowing the funds to be secured through purchased insurance.

The following resolution was introduced:

> WHEREAS, The Corporation of The Fine Arts Museums ("COFAM") is a corporation organized and existing under the laws of the State of California; and
>
> WHEREAS, COFAM will make expenditures on and after the date hereof with respect to expenses incurred and to be incurred (the "Expenditures") in connection with the acquisition and construction of the new M. H. de Young Memorial Museum (the "Project"), as more fully described in Exhibit A attached hereto; and
>
> WHEREAS, The Board of Trustees of COFAM (the "Board") has determined that the funds advanced and to be advanced to pay Expenditures are or will be available for a temporary period and it is necessary to reimburse COFAM for Expenditures made on and after the date hereof with respect to the Project from the proceeds of tax-exempt bonds (the "Bonds"); and
>
> WHEREAS, As of the date hereof, with respect to that portion of the Project to be financed with the Bonds, no funds of COFAM or of any other entity that is part of the controlled group of entities of which COFAM is deemed a part under Treasury Regulation Sections 1.103-18 and 1.150-1(f) (the "Controlled Group"), are, or are reasonably expected to be, allocated on a long-term basis, reserved or otherwise available pursuant to the budgets of COFAM or of any other entity that is part of the Controlled Group to finance the portion of the Project to be financed with the Bonds; now, therefore, be it

RESOLVED, By the Board of Trustees of the Corporation of The Fine Arts Museums:

Section 1. The Board hereby adopts this declaration of official intent under Treasury Regulation Sections 1.103-18(c)(2)(i) and declares its intent to reimburse COFAM with the proceeds of a tax-exempt financing for Expenditures made on and after the date hereof with respect to the Project.

Section 2. On the date of the Expenditure, all reimbursable costs of the Project will be of a type properly chargeable to a capital account under general Federal income tax principles.

Section 3. The maximum principal amount of debt expected to be issued for the Project is $60,000,000.

Section 4. The adoption of this resolution is consistent with the budgetary and financial circumstances of COFAM and all other entities that are part of the Controlled Group.

Section 5. This resolution shall take effect immediately upon its passage.

Section 6. Beginning no later than 30 days after the adoption of this resolution and ending on the date on which the Bonds are issued, this resolution will be reasonably and continuously available for inspection by the general public, on each business day and during normal business hours, at the Administrative Offices of COFAM, currently located at 233 Post Street, San Francisco, CA, 94108.

Exhibit A
Description of Project

The acquisition and construction of the new M. H. de Young Memorial Museum to be located at 75 Tea Garden Drive, Golden Gate Park, San Francisco, California, 94118.

A motion was made and seconded to adopt the proposed resolution. There was no further discussion among Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 280.**

IX. Adjournment – Diane B. Wilsey, President

There being no further business, President Wilsey adjourned the meeting at 2:10 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Board of Trustees on matters stated, but not necessarily in the order in which the matters were considered.

FAREWELL EVENTS AT THE DE YOUNG MUSEUM

The closing of the old de Young Museum building on December 31, 2000 represents a new beginning for the institution, as the rebuilding process will begin at the approach of the new millennium. In a few short years, the Museum will re-emerge as a 21st century institution, delightful, world-class and state-of-the-art. Special events will signal a season of rebirth and renewal.

Saturday, November 18, 2000	◆The Last "Doing and Viewing Art" Education Program Farewell to the de Young "Memory Murals"	10:30 a.m. – 12:00 p.m.
	◆Volunteer Council Farewell Event Preview of de Young Store Sale, Souvenir Sales Begin	3:00 – 6:00 p.m.
Thursday, November 23, 2000	◆Advertisements in Sunday Newspapers "Happy Thanksgiving" - de Young Store Sale Announced	Morning
Tuesday, November 28, 2000	◆"My de Young" Donors' Thank You	6:00 – 8:00 p.m.
Saturday, December 2, 2000	◆Asawa Tower Piggybank Event	12:00 – 2:00 p.m.
	◆American Decorative Arts Forum Farewell Reception	2:00 – 4:00 p.m.
Monday, December 4, 2000	◆Docent Council Holiday Party	4:00 – 6:00 p.m.
Tuesday, December 5, 2000	◆Friends' Farewell Event	6:00 – 8:00 p.m.
Wednesday, December 6, 2000	◆"College Night" – Event Highlighting AOA Collections	6:00 – 8:45.p.m.
Thursday, December 7, 2000	◆Planning Dept-EIR Hearing, Supervisor Chambers	12:00
Saturday, December 9, 2000	◆Access Day for AOA Collections	11:00 a.m.–2:30 pm
Wednesday, December 13, 2000	◆The Last Elegant Christmas Party	7:30 p.m. – 12:00 a.m.
Sunday, December 17, 2000	◆Advertisements in Sunday Newspapers "Farewell Week" Events Announced	Morning
Tuesday, December 19, 2000	◆Members' Farewell to the de Young Party	6:00 – 9:00 p.m.
Wednesday, December 20, 2000	◆Staff Family Holiday Party	5:00 – 9:00 p.m.
Tuesday, December 26, 2000 *to* **Sunday, December 31, 2000**	◆"Farewell Week" Events Admission Fees Waived; No Flash Photo Permits Required	Continuous Programs
Sunday, December 24, 2000	◆Advertisements in Sunday Newspapers "Museum Marathon", "Farewell Weekend" Announced	Morning
December 30 – 31, 2000	◆"Museum Marathon"	Open All Night
	◆Midnight Tour	12:00 a.m.
December 31, 2000	◆Ceremonial Celebrations of the Diverse Collections	9:00 – 11:00 a.m.
	◆Japanese Bell Ringing Ceremony (AAM-Gruhn Court)	11:00 a.m.–12:00 p.m.
	◆Photo Opportunity by Art Rogers (Hearst Court)	1:15 p.m.
	◆Formal Farewell Ceremony (Hearst Court)	2:00 - 4:00 p.m.
	◆**Museum Closed to Public**	5:00 p.m.
February, 2001	◆De Young Art Center Opens at 2601 Irving Street, San Francisco	

As of 12/06/00

FAREWELL WEEK AT THE OLD DE YOUNG MUSEUM
December 26 – 31, 2000

Features of Weeklong Activity:

- Open Photography—no flash photo permits required
- Free Admission to Museum
- Special Programming by Historical Era
- Museum Store "Lost our Lease" Sale

DE YOUNG BY HISTORICAL ERA: December 26 - 30

Tuesday, December 26, 2000		**FREE ADMISSION BEGINS**
THEME	**10:00 am – 5:00 pm**	**"The de Young in the 1890s – 19-teens"**
	10:30am – 12:00 pm	Kids' Art Activity: Memory Coloring Books
	2:00 – 4:00 pm	Ragtime Music by Marty Eggers and Virginia Tichenor
	1:00 – 2:00 pm	Mary Sano and Her Isadora Duncan Dancers
	1:00 pm	Period docent slide-lecture (Gallery 20)
Wednesday, December 27, 2000		**"The de Young in the 1920s – 1930s"**
	10:00 am – 5:00 pm	**MUSEUM OPEN**
	10:30 am – 12:00 pm	Kids' Art Activity: Trompe L'Oeil Bulletin Boards
	1:00 pm	20s and 30s Music by the Red Garter Band
		Period docent slide-lecture (Gallery 20)
Thursday, December 28, 2000		**"The de Young in the 1940s – 1950s"**
	10:00 am – 5:00 pm	**MUSEUM OPEN**
	10:30 am – 12:00 pm	Kids' Art Activity: Memory Coloring Books
	2:00 – 4:00 pm	40's-50s Music by the David Hardiman Sextet
	1:00 pm	Period docent slide-lecture (Gallery 20)
Friday, December 29, 2000		**"The de Young in the 1960s – 1970s"**
	10:00 am – 5:00 pm	**MUSEUM OPEN**
	10:30 am – 12:00 pm	Kids' Art Activity: Trompe L'Oeil Bulletin Boards
	2:00 – 4:00 pm	60's-70s Music by the David Hardiman Sextet
	1:00 pm	Period docent slide-lecture (Gallery 20)
Saturday, December 30, 2000		**MUSEUM MARATHON**
		"The de Young in the 1980s – today"
	10: 00 am – 12:00 am	**MUSEUM OPEN**
	10:30 am – 12:00 pm	Kids' Art Activity: Memory Coloring Books
	2:00 – 4:00 pm	World music by John Santos and Friends
	1:00 pm	History of MHDY slide/lecture (Robert Judson Clark) in Trustees Auditorium
	6:00-9:00 pm	Cash Bar
	6:00-8:00 pm	Swing Combo ("Once Over Lightly")
	11:00 pm-2:00 am	West African Orisha ceremony-African Galleries
	12:00 am	Midnight Tour by Docent

Sunday, December 31, 2000 **FAREWELL DAY**
"The de Young in the Future"

12:00 am – 11:00 am **Multidenominational "Rites of Passage"**
Ceremonies for Diverse Collections

•Rabbi Stephen Pearce	(Temple Emanu-El) (tentative)
•Anne-Marie Sayers	(Ohlone)
•Tomasita Medál	(Aztec dancers- Danza Azteca Xitlalli de San Francisco)
•Margaret Mossman	(Religious Society of Friends-Quakers)
•Sola (Baba) Atanda	(Yoruba-Ifa)

•NOTE: Others may participate, times may be changed

11:00 am -12:00 pm •**Japanese Bell-Ringing Ceremony** (AAM-Gruhn Court)

11:15 am – 11:45 am **Photo Opportunity for Staff** (Concourse—Art Rogers)

12:15 pm – 12:30 pm **Photo Opportunity for Trustees** (Concourse-Rogers)

1:15 pm **Photo Opportunity for All Participants** (Hearst Court)

2:00 – 4:00 p.m. **Farewell Ceremony**

THEMES:

For the Children and Future Generations; New Beginnings, Metamorphosis, Celebration of the Past, Marching into the Future

PERFORMERS:

•**Jennifer Wey** (10-year-old virtuoso violinist) (San Francisco Conservatory of Music)
•**Ryan Houston** (14-year-old singing sensation)(
•**Leigh Marshall**, (10-year-old artist), lead artist for *Arte di Gesso*, sidewalk chalk drawing by young people (sponsored by the North Beach Chamber of Commerce)
•**Whitney Spencer** (13-year-old poet) (San Francisco Arts Commission Writers' Corps)
•**MacTarnahan's Prince Charles Pipe Band, Junior Corps**
•**St. Mary's Chinese Girls Drum and Bell Corps**
•**John Handy Band** with young guest artists
•**San Francisco Boys Chorus** (San Francisco Opera)

•**Special Tributes** by directors of sister institutions, including Asian Art Museum, SF Zoo

5:00 p.m. **Museum Closes to the public until 2005**

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CORPORATION OF THE FINE ARTS MUSEUMS

Executive Committee
Board of Trustees

February 8, 2001

I. Calling of the Meeting to Order – Diane B. Wilsey, President

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums of San Francisco was held on Thursday, February 8, 2001, in the 6th Floor Conference Room of the Museums' Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 1:56 p.m. by Diane B. Wilsey, President. President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

Present:

Alvin H. Baum, Jr.
Charles Crocker
Richard P. Essey
Richard H. Finn, Vice President/Finance
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Robert A. Mills
Nion McEvoy
Shelagh Rohlen
Steven MacGregor Read
Diane B. Wilsey

Excused:

Belva Davis, Vice President/Civic Affairs and Audience Development
Dagmar Dolby, Vice President/Annual Support
J. Alec Merriam, Vice President
Lonna Wais

Other Trustees in Attendance:

Richard W. Goss II
Sylvia Kingsley

Non-voting Officers Present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

II. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the January 11, 2001 Meeting of the Board of Trustees

There being no discussion among the Trustees, the minutes of the January 11, 2001 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the Plans for a New de Young Museum in Golden Gate Park

At the end of this month, the New de Young Building Committee will travel to Munich to view several Herzog & de Meuron projects, followed by meetings in Basel with the architects. At its next meeting on April 12, 2001, the Board of Trustees is anticipated to take action on the next stage of design development of the architectural plans for the New de Young Museum in Golden Gate Park.

C. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey announced that to date the capital campaign totals $141,439,047 in gifts and pledges from 5,006 donors. The *My de Young* campaign concluded on November 9, 2000 and raised $1,627,355. The new direct mail campaign, *Your de Young*, totals $1,249,604 to date. Funds raised by the President total $121,420,002. Totals for the New de Young Capital Campaign committees are: a) Outreach Committee, $226,615; b) Supporting Organizations Committee, $1,677,399; c) FAMily Committee, $9,523,181; d) Foundations and Corporations Committee, $5,710,000; and e) the Piggybank Campaign (San Francisco Unified School District), $4,891.

IV. Director's Report - Harry S. Parker III

A. Report of the COFAM Operating Budget as of December 31, 2000

At the request of Mr. Parker, Steve Dykes, Deputy Director of Administration and Finance gave the COFAM Operating Budget report as of December 31, 2000. Cumulative six month FY 2000-01 results were $628k in the black; the budget expectation was $865k.

The COFAM reserve was $4,024k at the end of December, compared to $3,401k the month before. The increase was due to good December operating results and the de Young closing store sale, which reduced inventory and created cash. Board policy is to keep the reserve at $2 million or more. The current high reserve is founded on of the *O'Keefe* exhibit surplus from last fiscal year.

At $3,194k total support ran $43k better than budget. Revenues were $3,578k, $211k less than budget. Admissions fees were down $173k, owing to a slow fall at the Legion and free admission during the closing week of the de Young. Membership income was also off by $108k (2,063 memberships below budget). At $3,417k personnel costs to date were $175k less than budget with underages across-the-board. This area of the budget is being examined to lock in savings. At $2,771k other expenses were over budget by $294k, mostly due to timing differences between the budget model and incurring expenses. Administrative general costs were over by $62k of which $49k was spent on de Young closing event costs. At the end of January, closing event costs tallied to $94k. These costs will be offset with new de Young Project funds.

In response to a question raised by Trustee Finn, Mr. Dykes stated that at fiscal year end, June 30, 2001, it is anticipated that the reserve, in keeping with Board policy, will be maintained at $2 million or more.

B. Report on Extension of the Repayment of the Loan of the Osher Sculpture Garden Fund Until December 31, 2001 for the Seismic Bracing Project at the de Young Museum

Mr. Parker reported that Honorary Trustee Bernard Osher has again generously agreed to extend the repayment of the loan of the Osher Sculpture Garden Fund until December 31, 2001. In 1993, The Osher Foundation agreed to allow a loan of the sculpture garden funds to pay for the temporary seismic bracing project at the de Young Museum.

V. Report of the Budget Committee – Richard H. Finn, Chair and Vice President

A. Report on Draft COFAM Budget Projections FY 00-01 Through FY 07-08

Chair Finn presented the draft COFAM budget projections for FY 00-01 through FY 07-08. He noted that deficits are projected for the next four years for a total of $7.4 million before the New de Young Museum opens. This is an improvement over prior estimates reflecting a decrease in the gap between income and expense and maintaining or exceeding the $2 million reserve. The Budget Committee at its meeting on February 1, 2001 concluded that a breakeven FY 01-02 budget should be attempted. With strong exhibitions and no change in membership, actual results may be better than those projected.

VI. Report of the Enterprise Task Force – Jamie Bowles and Richard P. Essey, Co-Chairs

A sub-committee of the Enterprise Task Force is reviewing the Museums' Stores with an immediate focus on the temporary exhibition stores, which produce more income and profit than regular store operations. Margot Criscitiello and Julie Brown of Re:Design, who have done work for The Gap and the downtown and San Francisco airport stores of the San Francisco Museum of Art, met with the sub-committee and have been requested to submit recommendations to increase the efficiency and effectiveness of the COFAM stores. The Executive Committee will be kept informed of developments.

VII. Report of the Annual Support Committee – Dagmar Dolby, Chair and Vice President

In the absence of Dagmar Dolby, Chair of the Annual Support Committee, Barbara Boucke, Deputy Director for Development reported that as of December 31, 2000, cumulative annual contributions were ahead of budget by $89k. Ms. Boucke expressed appreciation to the Trustees and major annual donors for their ongoing generosity to support both operating costs and the capital campaign for a New de Young Museum.

VIII. Report of The Fine Arts Museums Foundation – Charles Crocker, President

A. Report on Action to Change the Endowment Asset Allocation, Adopt a New Investment Strategy, and Apply the Distribution Percentage Rate to a Three Year Historical Average Value Instead of Two Years

President Crocker reported that at the close of business on January 26, 2001, the endowment portfolio was valued at $84,233,722. It was invested 63.21% in equities, 34.5% in fixed income, and 2.29% in cash equivalents. The endowment fund total return (net of fees) calendar year-to-date is .66%, compared to .54% for 2000 and 22.3% for 1999.

The Board of Trustees of The Fine Arts Museums Foundation is committed to growing the endowment. To that end, President Crocker reported that the Foundation's Investment Committee, chaired by Trustee Gail Seneca, is studying and changing the endowment's asset allocation with the goal of a total return sufficient to support the Museums while offsetting inflationary erosion of principal. The Investment Committee has recommended an increase in the exposure to equities to 75%. Furthermore, to increase diversification, some growth equity investments have been shifted to a value index fund. Alternative investments include a small percentage invested in real estate; venture capital and/or hedge fund strategies are also being considered. In order to appropriately evaluate the performance and rates of return of an increased number of fund managers in a timely manner, the Foundation Board has hired Callan and Associates, who will provide detailed monthly performance analyses.

IX. Adjournment – Diane B. Wilsey, President

There being no further business, President Wilsey adjourned the meeting at 2:15 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Board of Trustees on matters stated, but not necessarily in the order in which the matters were considered.

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CORPORATION OF THE FINE ARTS MUSEUMS

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Executive Committee
Board of Trustees

May 10, 2001

I. Calling of the Meeting to Order and Confirmation that the Corporation of The Fine Arts Museums is a 501(c)(3) Nonprofit Corporation Not Legally Required to Open Its Meetings to the Public - Diane B. Wilsey, President

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums of San Francisco was held on Thursday, May 10, 2001, in the 6th Floor Conference Room of the Museums' Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 1:01 p.m. by Diane B. Wilsey, President. President Wilsey welcomed Trustee Paul Violich to his first meeting as a new member of the Executive Committee.

President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

Present:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Richard P. Essey
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion McEvoy
J. Alec Merriam
Robert P. Morrow III, Vice President/Finance
Paul Violich
Diane B. Wilsey

Excused:
Marianne H. Peterson
Steven MacGregor Read
Shelagh Rohlen, Vice President/Annual Support
Lonna Wais

Non-voting Officers Present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

III. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the April 12, 2001 Meeting of the Board of Trustees

There being no discussion among the Trustees, the minutes of the April 12, 2001 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Resolution Confirming that Meetings and Records of the Corporation of The Fine Arts Museums Are Private, that the Corporation of The Fine Arts Museums is Not Required to Open Its Meetings to the Public, or Provide Members of the Public with Copies of Its Internal Documents or Correspondence, Except as Required by the San Francisco Administrative Code, Section 12L

President Wilsey emphasized the importance of adopting a resolution confirming that the Corporation of The Fine Arts Museums is an independent, 501(c)(3) nonprofit corporation not legally required to open its meetings to the public. She noted that COFAM has an agreement with the City and County of San Francisco to provide services to the public, and, therefore, COFAM is required to hold two public meetings per year as stipulated in the San Francisco Administrative Code, Section 12L.

President Wilsey read the following resolution:

WHEREAS, The Corporation of The Fine Arts Museums (COFAM) is an independent, nonprofit corporation supporting the Fine Arts Museums of San Francisco and serving as the developer of the New de Young Museum in Golden Gate Park; and

WHEREAS, COFAM and its Trustees have a fiduciary obligation to protect the privacy rights of its supporters and employees; and

WHEREAS, The COFAM Board of Trustees may decide from time to time on a voluntary basis to allow members of the public to attend its meetings and comment on its deliberations; and

WHEREAS, The COFAM Board of Trustees may decide from time to time on a voluntary basis to provide members of the public with copies of its internal documents or correspondence; now, therefore, be it

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums confirms that its meetings and records are private, that it is not required to open its meetings to the public, or provide members of the public with copies of its internal documents or correspondence, except as required by the San Francisco Administrative Code, Section 12L.

A motion was made and seconded to adopt the above resolution. Following discussion regarding COFAM's role and responsibility as the developer of the New de Young Museum in Golden Gate Park, the Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 286.**

C. Resolution Designating a $10,000 Bequest from Elizabeth A. Rementer to the New de Young Museum Fund

President Wilsey introduced the following resolution:

WHEREAS, The building of a New de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums; and

WHEREAS, On April 9, 2001, Norma Blackmore presented the Corporation of The Fine Arts Museums with a $10,000 bequest on behalf of her friend, decedent Elizabeth A. Rementer, a long-standing member of the Fine Arts Museums; and

WHEREAS, The Chief Executive Officer has recommended that the $10,000 unrestricted bequest from Elizabeth A. Rementer be designated for the New de Young Museum Fund; now, therefore, be it

RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums does hereby designate the $10,000 bequest from Elizabeth A. Rementer and any additional distributions for the New de Young Museum Fund; and, be it

FURTHER RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums recognizes the generosity of decedent Elizabeth A. Rementer with sincere appreciation.

A motion was made and seconded to approve the above resolution. There was no discussion among the Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 287.**

D. Report on the Plans for a New de Young Museum in Golden Gate Park

Mr. Parker provided a status report on the lawsuit filed on January 17, 2001 by the People for a New de Young with The Superior Court of the State of California in and for the County of San Francisco against the City and County of San Francisco, the Fine Arts Museums of San Francisco, and the Executive Committee of the Fine Arts Museums of San Francisco. The lawsuit appeals the San Francisco Planning Commission's certification of the Final Environmental Impact Report and the Executive Committee's approval of the New de Young Project in December 2000.

Mr. Parker advised that the complaint failed to name COFAM, the developer of the New de Young Museum, in the lawsuit. Given this omission, Kate Stacy, Deputy City Attorney representing the City and the Museums, filed a demurer to dismiss the lawsuit on the grounds that even if the statements of the opposing party are true, they do not sustain the claim because they are insufficient or otherwise legally defective. The demurer was heard by Judge William Cahill on May 9, 2001; his ruling is expected soon. The lawsuit is scheduled to be heard on July 9, 2001[1]. It is hoped that the lawsuit will be resolved quickly in order to avoid costly delays in building the New de Young Museum.

E. Report on Concourse Authority Planning and the Parking Facility in Golden Gate Park

The Conceptual Design Study / Evaluation of Alternatives for the Golden Gate Park Concourse Underground Parking Garage was distributed for review by the Executive Committee. The Concourse Authority has considered the following six alternatives:

Number 1 – Consists of two, two-level underground parking structures, one between the Concourse and the de Young Museum, and one between the Concourse and the Academy of Sciences (864 stalls / original plan). The structures are connected by a tunnel at the East end of the Concourse.

Number 2 – Locates all parking within one, one-level garage beneath the Concourse (850 stalls).

Number 3 – Locates a portion of the parking near the museum entrances with the balance beneath the West end of the Concourse (890 stalls). This alternative is a composite of Numbers 1 and 2 above.

Number 4 – Expands Number 1 and incorporates the Sierra Club proposal (see below) to reduce or eliminate surface traffic from the Concourse (1000 stalls).

Number 5 – Locates the underground parking in sections adjacent to the Museums and in the area behind the Bandshell (870 stalls).

Number 6 – A two-level underground garage wraps around the de Young Museum and extends under Kennedy Drive in order to minimize impact on the Concourse (900-1000 stalls).

Mr. Parker discussed the Sierra Club proposal, which eliminates Tea Garden Drive and Music Concourse Drive in order to keep all traffic out of the Concourse area. This plan would connect the garage access from Fulton Street to a spur roadway that would be routed along the Northeast side of the Academy of Sciences to Middle Drive East. The proposal allows for access to the any of the above garage alternatives and would allow traffic to traverse the Park from Fulton to Martin Luther King Jr. Drive. It will need to be evaluated against the needs of the Park institutions to have pick-up and drop-off capability for school groups and the disabled; emergency vehicle access must also be accommodated.

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[1] The date of the hearing has been changed to July 10, 2001.

In early May 2001, a letter to Michael D. Ellzey, Chief Executive Officer, Golden Gate Park Concourse Authority, from the CORAM President and Chief Executive Officer urged the elimination of alternatives Numbers 2 and 3 as they involve the excavation of the historic Concourse bowl and are inconsistent with representations made to the public at the time of the Proposition J election. Furthermore, it was suggested that alternative Number 6 be deleted as the concentration of parking in the immediate area of the de Young Museum unfairly focused access on one institution at the expense of the other Park institutions.

At a meeting earlier this week, the Concourse Authority eliminated alternatives Numbers 2 and 3 from further consideration. It was reported that the Concourse Authority hopes to identify a final garage alternative in June 2001. In response to questions raised, Mr. Parker stated that the cost of each of the above six alternatives is relatively comparable at $55 to $60 million. Approximately $35 million in private funds has been raised to date. It is hoped that construction will commence in the fall of 2002, following certification of the environmental impact report. The importance of adhering to this timeline for the underground garage is critical to the opening of the new de Young Museum in the summer of 2005.

F. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey announced that to date the capital campaign totals $147,345,568 in gifts and pledges from 5,080 donors.

G. Report on the April 24, 2001 Closing of the *Wayne Thiebaud : A Paintings Retrospective* Exhibition at the Phillips Collection in Washington, DC and Visits with Bay Area Legislators

President Wilsey reported that she and Mr. Parker traveled to Washington, DC, for the closing of *Wayne Thiebaud: A Paintings Retrospective* at the Phillips Collection on April 24th, attended by artist Wayne Thiebaud and a number of Congressional representatives. The exhibition, organized by the Fine Arts Museums, was very well received.

Meetings were also held with thirteen Bay Area members of Congress regarding the feasibility of federal funding for the New de Young Museum. A total of $5 million in funding from the Committee on Appropriations was requested for the New de Young Museum as follows: a) $1.5 million from the Subcommittee on Interior Appropriations (Institute of Museum and Library Services account); b)$2 million in targeted funding from the Subcommittee on Veterans Administration, Housing and Urban Development (economic development block grant earmarked for cultural institutions); and c) $2 million from the Subcommittee on Labor, Health (Improvement of Education account). Sixteen members of Congress signed the bill in support of this federal funding for the New de Young. In six to nine months, it will be known whether the appropriation bill passed.

H. Report on the National Council and Museum Associates Sculpture Gardens Trip to New York City, May 2-6, 2001

Steve Nash, Associate Director and Chief Curator, reported on a four-day sculpture gardens trip to New York City. The trip, organized for members of the National Council and Museum Associates, included visits to Johnson/Atelier, a bronze foundry near Princeton, New Jersey; the Grounds for Sculpture park, which includes two museum facilities; the Isamu Noguchi Garden Museum; Mark di Suvero's workshop and Socrates Sculpture Park, which he founded; the Great Storm King Art Center; the Donald Kendall Sculpture Garden at Pepsico World Headquarters; and the sculpture garden on top of the Metropolitan Museum of Modern Art. The private collections of Evelyn and Leonard Lauder, Alan Stone, and Francesca Kress, granddaughter of Samuel Kress, were also viewed.

IV. Director's Report - Harry S. Parker III

A. Report of the COFAM Operating Budget as of March 31, 2001

At the request of Mr. Parker, Steve Dykes, Deputy Director for Administration and Finance, gave the COFAM Operating Budget report as of March 31, 2001. Cumulative nine-month FY 2000-01 results were $623k in the black; the budget expectation was $633k. The COFAM reserve was $3,542k at the end of March, compared to $3,976k the month before. The decrease is due to prepaid fees for future exhibitions (*Eternal Egypt*, Summer 2002, $430k, and *Leonardo da Vinci and The Splendor of Poland*, Spring 2003, $175k). Board policy is to keep the reserve at $2 million or more.

At $4,802k, total support was $230k better than budget. Cumulative annual contributions were ahead by $85k, and investment income did better than expected and was up $95k.

At $5,380k, revenues were $414k under budget. Admission fees were down $213k, owing to a slow fall at the Legion and free admission during the busy closing week of the de Young. Ford Free Legion Tuesdays, which began January 2001, reduced admissions revenue and offset it with Ford grant support. *Toulouse-Lautrec* generated attendance is improving this picture, but admission revenue will still run well under budget by year-end. Membership income was off budget by $163k.

At $5,391k, personnel costs trailed budget by $239k – the result of not filling vacant positions and deferring specified funds projects. At $4,138k other expenses were slightly over budget by $35k.

Mr. Parker briefly discussed the FY 2001-02 operating budget. He noted that although operating expenses will be reduced by the closure and the eventual demolition of the de Young Museum, these savings will be offset by additional expense related to the new offsite de Young Education and Collection Management Centers and the expansion of space at Post Street.

B. Resolution Authorizing Bank Account Signatures

Mr. Parker introduced the following resolution:

WHEREAS, In October 1987, in accordance with Board Resolution Number 4, the Corporation of The Fine Arts Museums established a bank account with Wells Fargo Bank, N.A. (Wells Fargo) at the 5455 Geary Boulevard Branch, San Francisco; and

WHEREAS, From time to time, the bank account signers are changed by resolution (33, 91, 121 and 172); now, therefore, be it

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums (COFAM) does hereby authorize that any one of the following nine persons may sign checks or other instruments withdrawing funds from the account for $1,000 or less; that the signatures of two of the following nine are needed for checks or other instruments between $1,001 up to and including $10,000; and that for checks and other instruments over $10,000, one signatory of numbers 1-5 and one signatory of numbers 6-9 is required:

1) Harry S. Parker III, Chief Executive Officer
2) Stephen E. Dykes, Treasurer
3) Michele Gutierrez, Fiscal Officer for the Foundation
4) Barbara Boucke, Deputy Director for Development
5) Robert M. Cullison, Controller
6) Diane B. Wilsey, President
7) Richard W. Goss II, Trustee
8) Lorna F. Meyer, Trustee
9) Robert P. Morrow III, Vice President/Finance; and be it

FURTHER RESOLVED, That the authorized check signer cannot be the sole signature on a check or other instrument paying an invoice he or she has previously authorized for payment; and be it

FURTHER RESOLVED, That Resolution Number 4 remains in full force except the names of the check signers have changed and be it

FURTHER RESOLVED, That Resolution Number 172 (Bank Account Signers) is hereby rescinded.

A motion was made and seconded to approve the above resolution. There was no discussion among the Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 288.**

V. Report of the Annual Support Committee –Shelagh Rohlen, Chair and Vice President

In the absence of Chair Rohlen, Barbara Boucke, Deputy Director for Development, presented the report of the Annual Support Committee. Ms. Boucke noted that every effort is being made to reach the annual support goal of $2,665k in the six remaining weeks of the current fiscal year. She encouraged members of the Executive Committee to attend the following events: 1) a Garden Party hosted by Trustee Barbara Carleton at her family's home in Woodside on Sunday, June 3rd; 2) a Members' Preview of the Butterfields auction on Sunday, June 24th, from 5 to 7 p.m.; and 3) the opening of the *Henry Moore* exhibit and dinner on Thursday, June 21st, at the Legion of Honor.

VI. Report of The Fine Arts Museums Foundation – Richard W. Goss II, President

Mr. Parker announced that Trustee Goss was elected President of The Fine Arts Museums Foundation at its meeting on May 1st. In the absence of President Goss, Mr. Parker reported that in order to appropriately evaluate the performance and rates of return of an increased number of fund managers, the Foundation Board has retained Callan and Associates, who will provide detailed monthly performance analyses. The Investment Committee continues to consider alternative investments including real estate and hedge fund strategies. It has already recommended an increase in the exposure to equities to 75%, and, to increase diversification, some growth equity investments have been shifted to a value index fund. At the close of business on April 27, 2001, the endowment portfolio was valued at $78,385,995. It was invested 62.44% in equities; 36.73% in fixed income and .83% in cash equivalents.

VII. Adjournment – Diane B. Wilsey, President

There being no further business, the meeting adjourned at 2:00 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Board of Trustees on matters stated, but not necessarily in the order in which the matters were considered.

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CORPORATION OF THE FINE ARTS MUSEUMS

Executive Committee
Board of Trustees

September 20, 2001

I. Calling of the Meeting to Order and Notification that the Corporation of The Fine Arts Museums is a 501(c)(3) Nonprofit Corporation Not Legally Required to Open Its Meetings to the Public - Diane B. Wilsey, President

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, September 20, 2001, in the Conference Room of the Interim de Young in South San Francisco. A quorum being present, the meeting was called to order at 1:51p.m. by Diane B. Wilsey, President. President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

Present:

Belva Davis, Vice President/Civic Affairs and Audience Development
Richard P. Essey
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion McEvoy
J. Alec Merriam
Marianne H. Peterson
Diane B. Wilsey

Excused:

Alvin H. Baum, Jr.
Richard W. Goss II
George Hecksher
Robert P. Morrow III, Vice President/Finance
Steven MacGregor Read
Shelagh Rohlen, Vice President/Annual Support
Paul Violich
Lonna Wais

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Other Trustees in Attendance:

Nan Cook
Nancy Willis, Chair, Education Committee

Non-voting Officers Present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

III. Report of the President – Diane B. Wilsey

A. Approval of the Minutes of the June 14, 2001 Meeting of the Board of Trustees

There being no discussion among the Trustees, the minutes of the June 14, 2001 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the Plans for a New de Young Museum in Golden Gate Park

1. Report on the September 10, 2001 Meeting of the New de Young Building Committee

President Wilsey discussed the August 20, 2001 public hearing of the Board of Supervisors regarding the December 7, 2000 decision of the Planning Commission certifying the final environmental impact report (FEIR) for the Proposed de Young Museum Project. As a result of the public hearing, the Board of Supervisors found the FEIR to be accurate, adequate and complete except for the sections relating to the height of theTower and the impact on historic resources. The Board of Supervisors directed the City Planning Commission and Planning Department "to revise the FEIR to include corrections and related environmental analysis, as may be appropriate under CEQA (California Environmental Quality Act), on the following issues: (1) errors and discrepancies in the shadow impacts analysis relative to the height of the Tower; (2) errors and discrepancies in the visual impacts analysis relative to the height of the Tower; (3) updating and correcting the Project description relative to the height of the Tower and to other information now available regarding the proposed Project design; and (4) broadening and correcting the description and related impacts analysis of the Project environmental setting relative to existing and potentially qualified historic resources, currently addressed in the FEIR pages C&R 80 – C&R 82."

At President Wilsey's request, Deborah Frieden, Project Director, reported on the status of the revisions to the FEIR. Changes to the section pertaining to the Tower are being finalized, and a consultant has been retained to assist in the development of additional historic resources documentation. It is expected that the FEIR revisions will be completed next month. The revisions will be reviewed by the Planning Department; the scope of the revisions will determine the process required to achieve certification of the revised FEIR. There are two possible options: 1) a two week period of public review of the document followed by a certification hearing; or 2) a 30 day period of public review followed by a public meeting to hear testimony from the public, with the Planning

Department responding in writing to the oral and written comments from the public as part of the FEIR. This latter process may take up to three months to complete.

Ms. Frieden discussed the revisions to the Tower design. She recalled the value engineering effort undertaken by the New de Young Building Committee earlier this year in an attempt to bring the project back on budget. At that time, the structure of the Tower was identified for further review as a means of achieving additional cost savings. A simplification of the structure evolved into the new Tower design proposed at this time. This review process also disclosed a Tower calculation error in the certified FEIR, which was made by a consultant retained by the Project's environmental consultant. Images of the new Tower design were distributed. Ms. Frieden noted that the revisions to the design, which were well received by the New de Young Building Committee at its meeting on September 10, 2001, represent a significant cost savings. Pierre de Meuron and members of the architecture team from Herzog & de Meuron Architekten AG were also present at the September 10th New de Young Building Committee meeting.

It was explained the de Young Museum Project's environmental consultant, who retained the consultant responsible for the Tower calculation error, has a professional liability policy in which the Corporation of The Fine Arts Museums (COFAM) is named as an additional insured. COFAM has put the insurer on notice that a potential claim may develop depending on the scope of the delay to the project. In addition, it was reported that the Asian Art Museum Civic Center project is approximately four months behind schedule. The Asian Art Museum is scheduled to close to the public on October 6, 2001.

Mr. Parker emphasized that the move of the Asian must be accomplished as expeditiously as possible to avoid increased cost to the New de Young Project. The Executive Committee strongly suggested that the President of the Board of Trustees and the Chief Executive Officer communicate these concerns in writing to the President and Director of the Asian Art Museum and that this matter be placed on the agenda of the October 18, 2001 meeting of the Board of Trustees for further discussion.

C. Report on Concourse Authority Planning and the Parking Facility in Golden Gate Park

President Wilsey advised that there were no new developments to report at this time.

D. Approval of the Establishment of the New de Young Fund of The Fine Arts Museums Foundation

President Wilsey advised that the The Fine Arts Museums Foundation (FAMF) and the Corporation of The Fine Arts Museums are considering a bond offering for the New de Young Museum in Golden Gate Park to bridge the gap between pledge payments and expenses. As part of these deliberations, it has been recommended that a New de Young Fund of the FAMF be established to hold certain gifts received in support of the project.

President Wilsey read the following resolution:

WHEREAS, The Board of Trustees of the Corporation of The Fine Arts Museums (COFAM) anticipates the initiation of a bond financing offering; and

WHEREAS, Salomon Smith Barney and Banc of America Securities have been selected to serve as the investment bankers; and

WHEREAS, It is advisable to create a New de Young Fund of The Fine Arts Museums Foundation to hold certain gifts in support of the New de Young Museum; and

WHEREAS, The permission of certain existing donors is being received to transfer their gifts in support of the New de Young Museum to the New de Young Fund of The Fine Arts Museums Foundation, to be used for expenses of the New de Young, including expenses relating to the design, construction, equipping and operation of the New de Young, payment of construction costs, transition and building costs, operating, financing and administrative costs, and funding reserves; now, therefore, be it

RESOLVED, That the COFAM Board of Trustees does hereby request The Fine Arts Museums Foundation to establish a New de Young Fund to be used for expenses of the New de Young, including expenses relating to the design, construction, equipping and operation of the New de Young, payment of construction costs, transition and building costs, operating, financing and administrative costs, and funding reserves.

A motion was made and seconded. There was no discussion among Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 295.**

E. Approval of a Resolution Authorizing Distributions from the Katharine Hanrahan Living Trust, the Elaine Henderson Trust, the Estate of Effiellen Jeffries, and the Joan Diehl McCauley 1991 Trust Previously Designated by the Board of Trustees for the New de Young Museum Building Project to Be Placed in the New de Young Fund of The Fine Arts Museums Foundation

President Wilsey noted that the Board of Trustees had previously adopted resolutions designating distributions from the above three trusts and one estate to the New de Young Museum Building Project. With the establishment of the New de Young Fund of The Fine Arts Museums Foundation (FAMF), it is now proposed that the distributions be placed in the FAMF New de Young Fund.

She introduced the following resolution:

WHEREAS, The building of a New de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums (COFAM); and

WHEREAS, By Resolution 1322 adopted on October 14, 1999 by the Board of Trustees of the Fine Arts Museums of San Francisco (FAMSF) and by Resolution 1334 adopted on March 9, 2000 by the FAMSF Executive Committee of the Board of Trustees, initial and future distributions from the Katharine Hanrahan Living Trust were designated to the New de Young Museum building project; and

WHEREAS, By Resolution 1336 adopted on March 9, 2000, the FAMSF Executive Committee of the Board of Trustees designated the initial and future distributions from the Elaine Henderson Trust to the New de Young Museum building project; and

WHEREAS, By Resolution 1337 adopted on March 9, 2000, the FAMSF Executive Committee of the Board of Trustees designated the initial and future distributions from the Estate of Effiellen Jeffries to the New de Young Museum building project; and

WHEREAS, By Resolution 257 adopted on April 13, 2000, the COFAM Board of Trustees designated the initial and future distributions from the Joan Diehl McCauley 1991 Trust to the New de Young Museum building project; and

WHEREAS, The COFAM Board of Trustees adopted a resolution on September 20, 2001 requesting The Fine Arts Museums Foundation to establish a New de Young Fund; and

WHEREAS, Certain gifts received in support of the New de Young Museum will be placed in the New de Young Fund of The Fine Arts Museums Foundation, to be used for expenses of the New de Young, including expenses relating to the design, construction, equipping and operation of the New de Young, payment of construction costs, transition and building costs, operating, financing and administrative costs, and funding reserves; now, therefore, be it

RESOLVED, That the initial and future distributions from the Katharine Hanrahan Living Trust, the Elaine Henderson Trust, the Estate of Effiellen Jeffries, and the Joan Diehl McCauley 1991 Trust designated by the Board of Trustees of the Fine Arts Museums of San Francisco, the Executive Committee of the Board of Trustees of the Fine Arts Museums of San Francisco, and the Board of Trustees of the Corporation of The Fine Arts Museums on October 14, 1999, March 9, 2000 and April 13, 2000, respectively, through the adoption of Resolutions 1322, 1334, 1335, 1337 and 257 for the New de Young Museum building project, are hereby authorized to be placed in the New de Young Fund of The Fine Arts Museums Foundation.

A motion was made and seconded. There was no discussion among Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 296.**

F. Resolution Designating the Bequest from Gilbert B. Woodd, Jr., to the New de Young Fund of The Fine Arts Museums Foundation

President Wilsey introduced the following resolution:

WHEREAS, The building of a New de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums; and

WHEREAS, On June 6, 2001, Burnita Matthews, IBM Program Administrator of Benefits Services, informed the Museums that Gilbert B. Woodd, Jr., had named the Museum Society of San Francisco as a beneficiary to receive fifty percent of his IBM Group Life Insurance; and

WHEREAS, Funds received by The Museum Society, a former membership support organization of the Fine Arts Museums of San Francisco (FAMSF) and the Asian Art Museum (AAM), are to be distributed two-thirds to FAMSF and one-third to the AAM in accordance with the agreement to dissolve the Museum Society; and

WHEREAS, The Museum Society dissolved in 1996, and the Corporation of The Fine Arts Museums became the successor organization for The Museum Society (FAMSF component); and

WHEREAS, A check in the amount of $2,523.74 representing fifty percent of the IBM Group Life Insurance distribution for Gilbert B. Woodd, Jr., was received on August 12, 2001, with COFAM's share amounting to $1,682.49; and

WHEREAS, The Chief Executive Officer has recommended that the $1,682.49 unrestricted bequest from Gilbert B. Woodd, Jr., be designated for the New de Young Fund of The Fine Arts Museums Foundation; now, therefore, be it

RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums does hereby designate the $1,682.49 bequest from Gilbert B. Woodd, Jr., and any additional distributions, for the New de Young Fund of The Fine Arts Museums Foundation; and, be it

FURTHER RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums recognizes the generosity of decedent Gilbert B. Woodd, Jr., with sincere appreciation.

A motion was made and seconded. There was no discussion among Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 297.**

G. Resolution Designating the Bequest from the Lester Hamilton Trust to the New de Young Fund of The Fine Arts Museums Foundation

President Wilsey presented the following resolution

WHEREAS, The building of a New de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums; and

WHEREAS, On June 15, 2000, Debby Ciambrone of United California Bank, acting as Trustee of the Lester Hamilton Trust, informed the Museums that Lester Hamilton, had named the Museum Society of San Francisco as a remainder beneficiary; and

WHEREAS, Funds received by The Museum Society, a former membership support organization of the Fine Arts Museums of San Francisco (FAMSF) and the Asian Art Museum (AAM), are to be distributed two-thirds to FAMSF and one-third to the AAM in accordance with the agreement to dissolve the Museum Society; and

WHEREAS, The Museum Society dissolved in 1996, and the Corporation of The Fine Arts Museums (COFAM) became the successor organization for The Museum Society (FAMSF component); and

WHEREAS, A check in the amount of $26,880 representing a 10.5% share of the Lester Hamilton Trust was received on September 4, 2001, with COFAM's share amounting to $17,920; and

WHEREAS, The Chief Executive Officer has recommended that the $17,920 unrestricted bequest from the Lester Hamilton Trust be designated for the New de Young Fund of The Fine Arts Museums Foundation; now, therefore, be it

RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums does hereby designate the $17,920 bequest from the Lester Hamilton Trust, and any additional distributions, for the New de Young Fund of The Fine Arts Museums Foundation; and, be it

FURTHER RESOLVED, That the Executive Committee of the COFAM Board of Trustees recognizes the generosity of decedent Lester Hamilton with sincere appreciation.

A motion was made and seconded. There was no discussion among Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 298.**

H. Report on the October 3-5, 2001 Meeting of the National Council

In view of the September 11, 2001 terrorist attacks on New York City and Washington, D.C., the October 3-5, 2001 Meeting of the National Council has been postponed until February 6-8, 2002. The February 2002 National Council Meeting will coincide with the opening of the exhibition, *Selected Masterworks: The Marcia and John Friede Collection of New Guinea Art*, at the Legion of Honor.

I. Other Informational Items

1. Report on Luncheon Honoring Nan Tucker McEvoy, Honorary Trustee, at 12:30 p.m., on Thursday, October 18, 2001, in the Café at the Legion of Honor

President Wilsey announced that Honorary Trustee Nan Tucker McEvoy will be honored at a luncheon on Thursday, October 18, 2001, at 12:30 p.m., at the Legion of Honor. The luncheon will recognize Mrs. McEvoy's extraordinary generosity and leadership in support of the New de Young Museum in Golden Gate Park and will precede the meeting of the Board of Trustees at 2:30 p.m.

1. Report on An Elegant Evening in the Court of Honor, December 12, 2001, Legion of Honor – Jamie Bowles, Chair

In the absence of Chair Bowles, Barbara Boucke, Deputy Director for Development, reported that this year's holiday gala will be expanded to include family members at a special ticket price.

IV. Director's Report - Harry S. Parker III

A. Report of the COFAM Operating Budget

At the request of Mr. Parker, Steve Dykes, Deputy Director for Administration and Finance, gave a verbal COFAM Operating Budget report of the pre-audit results for FY 2000-01, which were a $495k operating surplus, less depreciation expenses of $399k for a bottom line of $96k.

As of July 31, 2001, the COFAM Operating Budget was $229k in the black. The COFAM reserve was $2.7 million. Board policy is to keep the reserve at $2 million or more. The general economic slow down combined with the *Henry Moore* exhibition not meeting budget expectations impacted key revenue lines adversely. Admissions were below budget by approximately 30% for July and August. Store sales were likewise impacted. Consistent with the past fiscal year, memberships continued to slowly decline. The financial impact of the September 11, 2001 New York City and Washington, D.C., terrorist attacks on the COFAM Operating Budget is cause for further concern.

B. Resolution Authorizing Bank Account Signatures

Mr. Parker introduced the following resolution:

WHEREAS, In October 1987, in accordance with Board Resolution Number 4, the Corporation of The Fine Arts Museums established a bank account with Wells Fargo Bank, N.A. (Wells Fargo) at the 5455 Geary Boulevard Branch, San Francisco; and

WHEREAS, From time to time, the bank account signers are changed by resolution (33, 91, 121 and 172); now, therefore, be it

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums (COFAM) does hereby authorize that any one of the following thirteen persons may sign checks or other instruments withdrawing funds from the account for $1,000 or less; that the signatures of two of the following thirteen are needed for checks or other instruments between $1,001 up to and including $10,000; and that for checks and other instruments over $10,000, one signatory of numbers 1-5 and one signatory of numbers 6-13 is required:

1) Harry S. Parker III, Chief Executive Officer
2) Stephen E. Dykes, Treasurer
3) Michele Gutierrez, Fiscal Officer for the Foundation
4) Barbara Boucke, Deputy Director for Development
5) Robert M. Cullison, Controller
6) Diane B. Wilsey, President, COFAM
7) Richard W. Goss II, President, FAMF
8) Lorna F. Meyer, Trustee
9) Belva Davis, Vice President for Audience Development and Civic Affairs
10) Diane B. Lloyd-Butler, Vice President for Marketing and Communications
11) J. Alec Merriam, Vice President
12) Shelagh Rohen, Vice President for Annual Support
13) Paul Violich, Trustee, and be it

FURTHER RESOLVED, That the authorized check signer cannot be the sole signature on a check or other instrument paying an invoice he or she has previously authorized for payment; and be it

FURTHER RESOLVED, That Resolution Number 4 remains in full force except the names of the check signers have changed and be it

FURTHER RESOLVED, That Resolution Number 172 (Bank Account Signers) is hereby rescinded.

A motion was made and seconded to approve the above resolution. There was no discussion among the Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 299.**

C. Consideration and Possible Action to Adopt a Resolution Authorizing the Payment of the Directors and Officers Liability Insurance Deductible (Retention) by the Corporation of The Fine Arts Museums for Each Claim

Mr. Parker discussed the proposed resolution, which would authorize the Corporation of The Fine Arts Museum to pay the deductible of the Directors and Officers Liability Insurance for each claim. He introduced the proposed resolution as follows:

WHEREAS, The Corporation of The Fine Arts Museums (COFAM) carries a $5 million Directors and Officers Liability Insurance policy, which has a $10,000 annual premium and a deductible (retention) of $10,000 for each claim; now, therefore, be it

RESOLVED, That the Executive Committee of the COFAM Board of Trustees does hereby authorize payment by COFAM of the Directors and Officers Liability Insurance Deductible (retention) by COFAM for each claim.

A motion was made and seconded to approve the above resolution. There was no discussion among the Trustees. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 300.**

D. Report on Wolff Olins Project to Develop Identity Language and Symbols for the Fine Arts Museums of San Francisco, the California Palace of the Legion of Honor and the M. H. de Young Memorial Museum

A joint meeting of the Civic Affairs and Audience Development Committee and the Marketing and Communications Committee is scheduled for October 3rd. At this meeting, Wolff Olins will review the research phase of the project and present their preliminary findings. A full presentation will be made to the Board of Trustees at a future meeting.

E. Other Informational Item

1. Financial Impact of the September 11, 2001 Terrorist Attacks on New York City and Washington, D.C., on the Endowment Portfolio of The Fine Arts Museums Foundation (FAMF)

In the absence of Trustee Goss, FAMF President, Mr. Parker advised that at the close of business on September 17, 2001, the endowment portfolio was valued at $71,742,714, down from $79,889,134 as reported at the June 14, 2001 COFAM Board meeting. It was invested 57.8% in equities, 35.6% in fixed income, 5.6% in alternative investments, and 1% in cash and cash equivalents. Mr. Parker noted that the FAMF Board of Trustees is scheduled to meet on October 2nd. Changes in the asset allocation will be considered at that time, as well as the impact of the September 11th terrorist attacks on the proposed bond financing offering for the New de Young Museum.

V. Report of the Annual Support Committee – Barbara Boucke, Deputy Director for Development, for Shelagh Rohlen, Chair and Vice President

In the absence of Chair Rohlen, Barbara Boucke, Deputy Director for Development, presented the report of the Annual Support Committee. Ms. Boucke noted that contributions to the annual fund were strong through the month of August, however, it is difficult to predict the impact of September 11th on annual giving. An appeal for the New de Young Museum donations, *Our de Young*, is scheduled for mailing in early November.

VII. Adjournment – Diane B. Wilsey, President

There being no further business, the meeting adjourned at 2:35 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Executive Committee on matters stated, but not necessarily in the order in which the matters were considered.

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CORPORATION OF THE FINE ARTS MUSEUMS

Executive Committee
Board of Trustees

December 13, 2001

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I. Calling of the Meeting to Order and Notification that the Corporation of The Fine Arts Museums is a 501(c)(3) Nonprofit Corporation Not Legally Required to Open Its Meetings to the Public - Diane B. Wilsey, President

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, December 13, 2001, in the 6th Floor Conference Room of the Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 1:11p.m. by Diane B. Wilsey, President. President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

Present:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Richard P. Essey
Richard W. Goss II
George Hecksher
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion McEvoy
J. Alec Merriam
Marianne H. Peterson
Steven MacGregor Read
Shelagh Rohlen, Vice President/Annual Support
Paul Violich
Diane B. Wilsey

Excused:

J. Burgess Jamieson
Robert P. Morrow III, Vice President/Finance
Lonna Wais

Other Trustees in Attendance:

Nan Cook
Marion Moore Cope
William Stimson, Chair, Audit Committee
Nancy Willis, Chair, Education Committee

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Non-voting Officers Present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

III. Report of the President – Diane B. Wilsey

A. Approval of the Minutes of the October 18, 2001 Meeting of the Board of Trustees

There being no discussion among the Trustees, the minutes of the October 18, 2001 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the Plans for a New de Young Museum in Golden Gate Park

President Wilsey reported on the December 6, 2001 public hearing before the San Francisco Planning Commission regarding the revisions to the Final Environmental Impact Report (FEIR) for the Proposed de Young Museum Project pertaining to the height of the Education Tower and to some aspects of the analysis of the impact on historic resources. The Planning Commission voted unanimously to certify the revised FEIR. A subsequent public hearing before the Board of Supervisors is scheduled for January 14, 2002. President Wilsey noted that architect Pierre de Meuron attended the December 6th Planning Commission hearing and will be present at the January 31, 2002 meeting of the Board of Trustees to discuss the revised Education Tower, copper façade and other architectural developments. At the January 31, 2002 meeting, Board action to approve the revised FEIR will occur.

C. Response to the October 1, 2001 Letter from the President of the Board of Trustees and Chief Executive Officer of the Corporation of The Fine Arts Museums Received from the President and Director of the Asian Art Museum Regarding the Impact of the Asian Art Museum Move to its Civic Center Site on the New de Young Museum Building Project

A letter dated October 1, 2001 was sent by COFAM's President and its Chief Executive Officer to Mrs. Brayton Wilbur, President of the Asian Art Museum (AAM), and Emily Sano, Director, concerning the potential delay of three to four months in the scheduled departure of the Asian Art Museum from Golden Gate Park. The letter urged the AAM to take all steps necessary to completely vacate the west wing of the de Young building by the end of January 2003 to avoid de Young project cost increases of about $4 million per month. A response dated October 19, 2001 was received from President Wilbur and Director Sano, stating that the AAM plans to open the Civic Center site by January 21, 2003 and that it will continue to keep the Corporation informed of its progress.

D. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey announced that to date the capital campaign totals $150,808,634 in gifts and pledges from 5,034 donors. Donations brought about by the *Our de Young* brochure, which was mailed to Museum members in early November, total $357,813 to date.

I. Other Informational Items

1. Report on An Elegant Evening in the Court of Honor, December 12, 2001, Legion of Honor

An Elegant Evening in the Court of Honor was held last night at the Legion of Honor with 473 guests in attendance. This successful holiday gala attracted a younger audience primarily due to a special ticket price for family members. A detailed report will be presented at the next meeting.

2. Report on the Appointment of Trustees Iris S. Chan and Lorna F. Meyer to the COFAM Audit Committee

President Wilsey announced the appointment of Trustees Iris S. Chan and Lorna F. Meyer to the COFAM Audit Committee.

IV. Director's Report - Harry S. Parker III

A. Approval of a Resolution Recommending to the Board of Trustees of The Fine Arts Museums Foundation that It Designate an Anonymous and Unrestricted $600,000 Gift in Equal Amounts to General Support and the New de Young Fund of The Fine Arts Museums Foundation

Mr. Parker reported that an unexpected, unrestricted $600,000 grant to The Fine Arts Museums Foundation from an anonymous donor was received in early October 2001. Under normal circumstances, it has been customary to recommend the designation of gifts of this nature to the New de Young Fund of The Fine Arts Museums Foundation. However, given the poor operating budget performance for the first four months of the 2001-02 fiscal year, it is proposed that the $600,000 gift be designated in equal amounts to general support and the New de Young Fund.

At Mr. Parker's suggestion, the Executive Committee deferred action on the resolution until after the presentation of the COFAM Operating Budget Report as of October 31, 2001 (see next agenda item). The operating budget performance for the first four months of Fiscal Year 2001-02 necessitated the unusual proposal to designate one-half of the anonymous $600,000 grant to general operating support.[1]

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[1] Note the resolution on page 908 of these minutes.

B. Report of the COFAM Operating Budget

1. Report on the COFAM Operating Budget as of October 31, 2001 and Fiscal Year 2001-02 Interim Operating Budget Revisions

At the request of Mr. Parker, Steve Dykes, Deputy Director for Administration and Finance, gave the COFAM Operating Budget report as of October 31, 2001 and presented the Fiscal Year 2001-02 Interim Operating Budget Revisions.

As of October 31, 2001, the COFAM Operating Budget was $773k in the red, compared to the expectation of $70k negative. The COFAM reserve was $2,294k, down $119k from the month before. Because of the dramatic poor performance in the first four months of the fiscal year, management is proposing interim budget revisions at this time to get the Museums' finances back on track.

The recession, the impact of the September 11, 2001 terrorist attacks on tourist traffic in San Francisco, and the moderate public response to the *Henry Moore* and the *Logan Artists Books* shows have combined to hurt store proceeds, general admission, and exhibit income. Also, the $900k City budget cutback due to falling Hotel Tax revenue ends the $243k reimbursement to COFAM for partial reimbursement of education programs.

At the end of October, personnel expenses were running below budget due to attrition and an across-the-board hiring freeze. Other expenses were slightly below budget. However, a mistake that must be corrected is that the original budget understated offsite facility costs by $180k, the rent for the Museums' 233 Post Street offices.

To re-balance the operating budget, management proposes interim budget revisions. Under this plan, the year-end operating bottom line is $38k to the good before an estimated $350k in Plant Fund expenses. It is important to point out that this is achieved by using about $460k of non-recurring funds, taking all personnel attrition savings available, and cutting selected other expenses lines by 5% and 10%.

Mr. Dykes reviewed the major changes from the original to the revised budget:

- Annual Contributions: +300k to $3 million by using one-half of the $600k grant from the anonymous donor.
- Specified Funds: +$254k to $2,293k as follows: 1) Exhibitions – Goldsmith Fund to $399k ($264k original budget for *Dad & Surrealism* exhibit, plus $100k to offset curatorial and technician staff time, plus $35k to cover the original budget and campaign); and 2) Education Grants up $121k to $442k, led by a $50k Wells Fargo grant.

- Store Gross Profit: -$46k to $472k since summer/fall losses are unlikely to be recovered.

- Facilities Rental Gross: -$60k to $554k based on drop in Legion rentals, as corporations cut costs in the recession and schedule fewer special events following the September 11, 2001 terrorist attacks.

- General Admission: -$139k to $801k. Reduction includes $108k down July-October and tilt to more free admissions brought about by Ford Free Tuesdays. The visitor projection has been revised to $309k visitors from $345k in the original budget.

- Membership Dues: -$150k to $2,598k. Currently, there are 43k paid members.

- Development Trip Fees: -$50k to $200k. Italy trip cancelled and reset to Fall 2002; Dutch trip added for Spring 2002. Reduction offset by $50k other expense cut in Development to continue the breakeven trip program policy.

- Personnel Expenses: -$81k. Attrition, leaves of absence, and a hiring freeze have dropped five full time positions and several part time jobs, bringing the COFAM staff count to 85 from 90 on July 1, 2001 for a $181k savings, surpassing the $100k in the original budget attrition goal by $81k. Voluntary hours reductions are also helping to control personnel costs.

- Other Expenses: -$173k in selected 5% and 10% other expense cuts. Also, $180k added to the Offsite Facilities line to correct an original budget mistake that excluded 233 Post Street rent.

- City Partial Reimbursement for Educational Expenses: -$243k loss of support. Part of the $900k City budget reduction ($600k in cuts plus a $300k loan from the War Memorial seismic retrofit Hotel Tax surplus fund).

In conclusion, Mr. Dykes emphasized that management will be analyzing actual results to the interim budget revisions, which may have to be amended once second quarter (12/31/01) numbers are known. In addition, management will meet with the Budget Committee to review the Museums' financial position and propose formal budget actions as necessary to the COFAM Board of Trustees to maintain a balanced budget. The Executive Committee expressed support for the interim budget revisions required to maintain a balanced budget. Mr. Parker stressed the random nature of staff reductions achieved through attrition noting that current vacant positions include the Director of Education, Curator of European Decorative Arts, and the Curator of Textiles in early 2002. It is hoped that the economy will begin to recover in spring 2002 and that recruitment for these key positions can be accomplished by the time of the New de Young Museum groundbreaking scheduled for May 16-19, 2002.

At the suggestion of Trustee Hecksher, the Executive Committee concurred that action to designate the $600,000 anonymous grant (previous agenda item) be limited at this time to designating one-half, or $300,000, to general operating support. Once the Fiscal Year 2001-02 second quarter financial results are known, a proposed recommendation will address the designation of the remaining $300,000 for general operating support or the New de Young Fund of the Fine Arts Museums Foundation.

The subsequent resolution recommending the designation of one-half, or $300,000, of the $600,000 anonymous, unrestricted grant for action by the Board of Trustees of The Fine Arts Museums Foundation was amended to read as follows:

WHEREAS, On October 8, 2001, an anonymous and unrestricted gift of $600,000 was received by The Fine Arts Museums Foundation for general support; and

WHEREAS, The September 11, 2001 terrorist attacks on New York City and Washington, D.C., have negatively impacted the tourism industry in San Francisco and the Hotel Tax fund, which pays for the Museums' City budget; and

WHEREAS, Revisions to the Museums' City budget are necessary in view of the Hotel Tax fund shortfall; and,

WHEREAS, The building of the New de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums; now, therefore, be it

RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums does hereby recommend to the Board of Trustees of The Fine Arts Museums Foundation that it designate one-half, or $300,000, of the anonymous and unrestricted $600,000 grant to general operating support; and, be it

FURTHER RESOLVED, That once the Fiscal Year 2001-02 second quarter financial results are known, a proposed recommendation will address the designation of the remaining $300,000 for general operating support or the New de Young Fund of the Fine Arts Museums Foundation; and, be it

FURTHER RESOLVED, That the Executive Committee recognizes the anonymous donor with sincere appreciation for its exceedingly generous support of the Fine Arts Museums of San Francisco through its gift to The Fine Arts Museums Foundation.

On motion, duly seconded, the Executive Committee unanimously voted to adopt the above resolution as **Board Resolution 302.**

2. Approval of Resolution Approving Revisions to the COFAM Operating Budget Long-Range (Seven Year) Projections and Review of a Business Plan for the New de Young Museum

Mr. Parker advised that steps have been initiated leading to the bond financing of a portion of the New de Young Museum construction costs. As part of this effort, COFAM will be required to submit long-range operating budget projections as a component of the bond offering. Mr. Dykes was requested to review the Draft Business Plan for a New de Young Museum / Report on the Project, Finances and Operations (Including Projections of Revenue and Attendance), dated December 6, 2001.

Mr. Dykes explained that the Draft Business Plan has been utilized during recent meetings with our investment bankers to interview bond insurers and rating agencies for the proposed March 2002 bond offering of $129 million. The bond offering would be structured as short term debt instruments provided by variable rate demand obligations and auction rate securities, which trade weekly.

The revised long-range projections through FY 2008 were reviewed with the Executive Committee in detail. Mr. Dykes noted that a $4 million deficit is projected through Fiscal Year 2005, a decrease of approximately $1.5 million from prior projections due to better than budgeted actual figures. Key to the financial projections are the attendance figures anticipated to stabilize at 375,000 for the Legion of Honor during Fiscal Years 2005 through 2008. Conservative attendance projections for the New de Young Museum reflect 800,000 visitors during the first year of operation, Fiscal Year 2006, declining by 100,000 for each of the following two fiscal years, to 700,000 visitors in Fiscal Year 2007 and 600,000 in Fiscal Year 2008.

It was pointed out that a significant increase in Direct City Expenditures is projected for Fiscal Years 2006 through 2008 to cover guardianship, building maintenance and utilities costs associated with the operation of the New de Young Museum.

Trustees Merriam and Violich suggested consideration of the following changes: l) addition of another fiscal year, 2009, or delete Fiscal Year 2008, in order to focus on increased profit and positive cash flow rather than the negative trend represented by the last three fiscal years ending in 2008; 2) stimulation of additional revenues to offset the increased Direct City Expenditures line once the New de Young Museum opens in fiscal year 2005; and 3) clarification that Plant Fund Expenses relate primarily to depreciation.

On motion, duly seconded, the Executive Committee voted unanimously to approve the following resolution as **Board Resolution 303:**

RESOLVED, The Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums does hereby approve the revised operating budget projections included as Table 6 in the December 3, 2001 Draft Business Plan / New de Young Museum / Report on Project Finances and Operations (Including Projections of Revenue and Attendance).

The Final Business Plan for a New de Young will be distributed for review at a future meeting. In response to a question raised by Trustee Essey, President Wilsey clarified that the fund-raising goal of the New de Young capital campaign is $165 million, Bond proceeds are necessary to manage cash flow and to bridge the gap between the $165 million fundraising campaign and the $185 million construction cost of the project.

C. Other Informational Items

Mr. Parker announced that a luncheon honoring Diane and Alfred Wilsey for their extraordinary leadership and generosity in support of the New de Young Museum will be held on Thursday, January 31, 2002, at 12:30 p.m. in the Legion Café.[2]

V. Report of the Audience Development and Civic Affairs Committee – Belva Davis, Chair and Vice President

A. Report on the Veteran's Day Celebration at the Legion of Honor on Sunday, November 11, 2001

Chair Davis circulated photographs of the Veteran's Day Celebration held at the Legion of Honor on Sunday, November 11, 2001. The successful and meaningful event honored all veterans from San Francisco and throughout California and paid special tribute to San Francisco's police officers and firefighters, heroes in times of peace and war. The program featured presentations by City officials, military veterans, police officers and fire fighters, as well as special programs and performances throughout the day.

VI. Report of the Education Committee – Nancy Willis, Chair

In the absence of Chair Willis, Mr. Parker reported that the Education Committee met on December 4, 2001 at the de Young Art Center. Staff provided reports on the status of the components of the education program, and plans for the next year were discussed. Trustees were encouraged to visit the Center at 2501 Irving Street at 26th Avenue in the Sunset district.

VII. Report of the Audit Committee – William Stimson, Chair

A. Approval of a Resolution Accepting the PricewaterhouseCoopers Combined Financial Statements for the Fiscal Year Ending June 30, 2001

Chair Stimson reported that the Audit Committee at its meeting on December 5, 2001 reviewed the results of the draft Combined Financial Statements for the Fiscal Year Ending June 30, 2001. He introduced William G. Ritchie, Partner of PricewaterhouseCoopers, who reported that the audit of the Museums' financial statements for the fiscal year ending June 30, 2001 was successfully completed and resulted in an unqualified opinion. There were no material weaknesses in internal controls, unusual transactions, or changes in significant accounting policies or procedures to report to the Executive Committee of the Board of Trustees. Mr. Ritchie noted that the financial statements continue to reflect the increased financial activity associated with the New de Young Project.

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[2] Following Trustee Alfred S. Wilsey's death on January 4, 2002, this event was postponed to a future date.

Chair Stimson presented the following resolution:

WHEREAS, PricewaterhouseCoopers submitted to the Corporation of The Fine Arts Museums (COFAM) Audit Committee a draft Combined Financial Statement for the year ended June 30, 2001, including COFAM, The Fine Arts Museums Foundation, and the Fine Arts Museums of San Francisco as a department of the City and County of San Francisco; and

WHEREAS, On December 5, 2001, the COFAM Audit Committee reviewed these financial statements and recommended that the COFAM Executive Committee of the Board of Trustees accept them; now, therefore, be it

RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums, upon the recommendation of the COFAM Audit Committee, does hereby accept the PricewaterhouseCoopers Combined Financial Statements of the Fine Arts Museums of San Francisco for the year ending June 30, 2001.

On motion, duly seconded, the Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 304.**

VIII. Report of the Annual Support Committee – Barbara Boucke, Deputy Director for Development, for Shelagh Rohlen, Chair and Vice President

Chair Rohlen emphasized the importance of annual support to the Museums' operations and expressed appreciation to the Trustees for their ongoing generosity. In an effort to increase Museum membership and giving at every level of participation, Mr. Parker will present a State of the Museums report at a Legion of Honor luncheon on Monday, January 14, 2002. She requested Trustees to assist in identifying individuals to be invited to the January 14th luncheon. Barbara Boucke, Deputy Director for Development, distributed the new Members' Guide to Programs, January/February/March 2002.

IX. Report of The Fine Arts Museums Foundation – Richard W. Goss II, President

President Goss advised that at the close of business on December 7, 2001, the endowment portfolio was valued at $74,978,300 up from $73,730,188, as reported at the October 18, 2001 COFAM Board meeting. It was invested 65.9% in equities, 27.78% in fixed income, 5.32% in alternative investments, and 1% in cash and cash equivalents.

X. Adjournment – Diane B. Wilsey, President

There being no further business, the meeting adjourned at 2:15 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Executive Committee on matters stated, but not necessarily in the order in which the matters were considered.

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CORPORATION OF THE FINE ARTS MUSEUMS

M.H. DE YOUNG MEMORIAL MUSEUM * CALIFORNIA PALACE OF THE LEGION OF HONOR

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NOTICE OF MEETING

Corporation of The Fine Arts Museums
Executive Committee of the Board of Trustees

Thursday, March 14, 2002
12:30 p.m.[1]

233 Post Street, 6th Floor Conference Room
San Francisco, CA

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AGENDA

ORDER OF BUSINESS

I. Calling of the Meeting to Order and Confirmation that the Corporation of The Fine Arts Museums Is a 501(c)(3) Nonprofit Corporation Not Legally Required to Open Its Meetings to the Public – Diane B. Wilsey, President

II. Calling of the Roll

Trustees:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Richard P. Essey
Richard W. Goss II
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion T. McEvoy
J. Alec Merriam, Vice President
Robert P. Morrow III, Vice President/Finance
Marianne H. Peterson
Steven MacGregor Read
Shelagh Rohlen, Vice President/Annual Support

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[1] Or such time as the Fine Arts Museums of San Francisco Executive Committee meeting ends, but in no event before 12:30 p.m.

Paul Violich
Lonna Wais
Diane B. Wilsey, President

Non-Voting Officers:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Executive Secretary

III. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the January 31, 2002 Meeting of the Board of Trustees (See Appendix A – Draft Minutes) **Action**

B. Report on the Plans for a New de Young Museum in Golden Gate Park **Discussion**

C. Report on the New de Young Museum Financing Plan **Discussion**

Invited Guests:

Richard W. Chisholm, Managing Director, Municipal Securities, Banc of America
Nicolai J. Sklaroff, Vice President, Public Finance Department, SalomonSmithBarney
William H. Madison, Jones Hall (Bond Counsel)
Adam Sachs, Folger Levin & Kahn LLP (501(c)(3) Counsel)
Sean Tierney, Hawkins, Delafield & Wood (Underwriters Counsel)

1. Report on Bond Insurance Commitment **Discussion**

2. Report on Loan Agreement Financial Conditions **Discussion**

3. Report on Status of Liquidity Provider **Discussion**

4. Report on Financing Timetable **Discussion**

D. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park **Discussion**

E.	Other Informational Items	**Discussion**
1.	Report on the February 6-8, 2002 National Council Meeting	**Discussion**
2.	Report on the February 7, 2002 Gala Preview Opening of The Tribal Arts Show	**Discussion**
3.	Report on the May 8, 2002 Yves St. Laurent Benefit	**Discussion**
4.	Report on the March 2-9, 2002 Museum Associates Trip to Holland for The European Fine Art Foundation International Art and Antiques Fair	**Discussion**
IV.	**Director's Report - Harry S. Parker III**	
A.	Report on the COFAM Operating Budget as of January 31, 2002 (See Appendix B – COFAM Operating Budget Report as of January 31, 2002)	**Discussion**
B.	Consideration and Possible Action to Approve Revisions to the Operating Guidelines of the San Francisco Auxiliary of the Fine Arts Museums to Increase the Number of Active Members from 110 to 130, Eliminate the Meeting During the Month of Bouquets to Art, Requiring Attendance at Four Rather than Five Meetings, Allowing Those Whose Work Prohibits Four Meetings to Work Extra Hours for Bouquets to Art, and Allowing each Active Member to Sponsor Two Candidates Per Year Rather Than One, After One Year Rather Than Two (See Appendix C – Proposed Revisions to the Operating Guidelines of the San Francisco Auxiliary of the Fine Arts Museums)	**Action**
C.	Other Informational Items	**Discussion**
V.	**Report of the Music Advisory Task Force – Gail Merriam, Chairman**	**Discussion**
VI.	**Report of the Joint Meeting of the Civic Affairs and Audience Development Committee and the Marketing and Communications Committee – Belva Davis, Vice President of Civic Affairs and Audience Development, and Diane B. Lloyd-Butler, Vice President of Marketing and Communications**	**Discussion**
A.	Report on the Wolff Olins Project to Develop Identify Language and Symbols for the Fine Arts Museums of San Francisco, the California Palace of the Legion of Honor, and the M. H. de Young Memorial Museum	**Discussion**

VII.	**Report of the Annual Support Committee – Shelagh Rohlen, Chair and Vice President**	**Discussion**
VIII.	**Report of The Fine Arts Museums Foundation – Richard W. Goss II, President**	**Discussion**
A.	Consideration and Possible Action to Revise the Liquid Asset Investment Guidelines as Recommended by Wells Fargo (Revised Liquid Asset Investment Guidelines To Be Distributed At Meeting)	**Action**
B.	Report on the Revision of the Bylaws of The Fine Arts Museums Foundation	**Discussion**
C.	Report on the New de Young Financing Plan and Draft Lease and Facilities Agreement Between the Fine Arts Museums of San Francisco and The Fine Arts Museums Foundation	**Discussion**
D.	Report on the Repayment of the Loan to the Osher Sculpture Garden Fund	**Discussion**
IX.	**Adjournment – Diane B. Wilsey, President**	

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Public Meeting Requirements Relating to Accessibility

The subsequent information is in compliance with the Americans with Disabilities Act (ADA); the following will be made available upon request: (1) American sign language interpreters; (2) a sound enhancement system; (3) a meeting agenda available in alternative formats; and (4) a reader during the meeting. To arrange for these services, please contact Judy Gough at (415) 750-3669 at least two working days prior to a meeting. A late request will be honored if possible. Minutes of the meeting will be made in alternative formats upon request. Meeting agendas are available on the Fine Arts Museums of San Francisco website, *www.thinker.org.*

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, those attending public meetings are reminded that others may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

For access to 233 Post Street by BART, get off at the Montgomery Street Station. MUNI's wheelchair-accessible No. 38 line may also be taken to Geary and Stockton Streets, as well as wheelchair-accessible No. 2 line (east bound), which stops close to 233 Post Street. For more information about MUNI's accessible services, call (415) 923-6142. Accessible parking space (disabled-designated) is available at the Stockton-Sutter Parking Garage.

Accessible seating for persons with disabilities (including those using wheelchairs) will be available. For Telecommunication Device for the Deaf (TDD), the Museums use the California Relay Service.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the President may order the removal from the meeting of any person(s) responsible for the ringing or use of cell phones, pagers, or other similar sound-producing electronic devices.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force:

Donna Hall, Administrator
Sunshine Ordinance Task Force
City Hall, Room 409
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4683
Office: (415) 554-7724
Fax: (415) 554-7854
E-mail: Donna_Hall@ci.sf.ca.us

Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.ci.sf.ca.us/bdsupvrs/sunshine.

If you are unable to attend the meeting, you may submit written comments to Judy Gough, Fine Arts Museums of San Francisco, 233 Post Street, 6th Floor, San Francisco, CA, 94108. Public documents referred to in the agenda may be inspected at the Administrative Offices of the Fine Arts Museums located at 233 Post Street, 6th Floor, San Francisco, CA, 94108. Please contact Judy Gough at (415) 750-3669 to make arrangements.

cofamexa023

CORPORATION OF THE FINE ARTS MUSEUMS

Board of Trustees
January 31, 2001

I. Calling of the Meeting to Order and Invitation to Members of the Public to Attend and Participate in Accordance with Recently Enacted Requirements that Not-for-Profit Organizations with City of San Francisco Contracts Conduct at Least Two Public Meetings a Year (San Francisco Administrative Code, Section 12L.4) – Diane B. Wilsey, President

A meeting of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, January 31, 2002, in the Board Room of the California Palace of the Legion of Honor, Lincoln Park, San Francisco. A quorum was present that being one-third of the number of Trustees in office. The meeting was called to order at 4:36 p.m. by Diane B. Wilsey, President, who invited members of the public to attend and participate in the meeting in accordance with requirements that not-for-profit organizations with City of San Francisco contracts conduct at least two public meetings a year (San Francisco Administrative Code, Section 12L.4).

President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

The following Trustees were present:

DOCUMENTS DEPT
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PUBLIC LIBRARY

Del M. Anderson
Alvin H. Baum, Jr.
Jamie Nicol Bowles
T. Robert Burke
Barnaby Conrad III
Marion Moore Cope
Belva Davis, Vice President/Civic Affairs and Audience Development
Dagmar Dolby
Richard P. Essey
Morgan Flagg
Harrison S. Fraker, Jr.
Dr. Rupert Garcia
Constance Goodyear
Richard W. Goss II
George Hecksher
J. Burgess Jamieson
Stephen L. Johnson
William R. Kimball
Leonard E. Kingsley
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion McEvoy

J. Alec Merriam, Vice President
Josie Mooney
Joy Ou
Marianne H. Peterson
Steven MacGregor Read
Shelagh Rohlen, Vice President/Annual Support
George B. Saxe
Randolph R. Scott
Burl A. Toler, Sr.
Vivian Fei Tsen
Carlos Villa
Nancy Willis
Diane B. Wilsey, President

On motion, duly seconded and carried unanimously, the following Trustees were excused:

Cheryl H. Bancroft
Alix Phillips Becker
George McNear Bowles
Barbara B. Carleton
Iris S. Chan
Richard H. Finn
Mara Fritz
Richard N. Goldman
Nancy Hamon
Jacqueline Hoefer
Beverly James
Ann L. Johnson, M.D.
Nancy McBean
Lorna F. Meyer
Robert P. Morrow III, Vice President/Finance
Lonna Wais
Margaret Wetzel
David Winton

Other Trustees in attendance were:

Keith Eickman
George Hopper Fitch
William Fries II
Frankie Jacobs Gillette
David R. Hoyer
Sylvia Kingsley
Stephanie MacColl
Gail Merriam

Katharine Doyle Spann
William A. Stimson
Florence Sue Wong

The following non-voting officers were present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

III. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the December 13, 2001 Meeting of the Executive Committee of the Board of Trustees

There being no discussion among the Trustees or members of the public, the minutes of the December 13, 2001 meeting of the Executive Committee of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Consideration and Possible Action to Adopt a Resolution Approving the New de Young Financing Plan and Authorizing the Corporation of The Fine Arts Museums to Borrow the Proceeds of Tax-Exempt Bonds to be Issued by the ABAG Finance Authority for NonProfit Corporations

President Wilsey introduced the following resolution approving the New de Young Financing Plan and authorizing the Corporation of The Fine Arts Museums to borrow the proceeds of tax-exempt bonds to be issued by the ABAG Finance Authority for NonProfit Corporations:

WHEREAS, The highest institutional priority of the Corporation of The Fine Arts Museums (COFAM) is to build a New de Young Museum in Golden Gate Park; and

WHEREAS, Efforts to secure public funding for a New de Young Museum were unsuccessful with proposed City of San Francisco general obligation bond measures failing to receive the 66.7% affirmative votes for passage in 1996 (62.6% yes votes) and 1998 (64.3% yes votes); and

WHEREAS, At the request of the Board of Trustees of the Fine Arts Museums of San Francisco (FAMSF), the Capital Campaign for a New de Young Museum was initiated by COFAM with a fund-raising goal of $165 million, of which over $150 million has been raised to date; and

WHEREAS, The Capital Campaign schedule of pledges extends over a five year period, and the construction schedule for the New de Young Museum will require immediate payments before the pledges are received; and

WHEREAS, At its meeting on January 15, 2002, the Board of Trustees of The Fine Arts Museums Foundation (Foundation) approved the New de Young Financing Plan in principle and authorized the borrowing of the proceeds of the issuance of the tax-exempt bonds ("Bonds") to be issued by the ABAG Finance Authority For NonProfit Corporations ("ABAG FANC") in a principal amount of not-to-exceed $130,000,000; and

WHEREAS, The Board of Trustees of FAMSF on January 31, 2002 approved the New de Young Financing Plan and supported the decision of COFAM and the Foundation to borrow the proceeds of the Bonds; now, therefore, be it

RESOLVED, That to meet the cash flow requirements for the construction of the New de Young Museum, the Board of Trustees of COFAM does hereby approve the New de Young Financing Plan, the terms of which are herein incorporated by reference as though fully set forth herein, and authorizes COFAM to borrow the proceeds of the Bonds, pursuant to a Loan Agreement, among COFAM, the Foundation and ABAG FANC (such agreement, with such revisions that are approved by the President of the Board of Trustees or the Chief Executive Officer is referred to as the "Loan Agreement"), with the Loan Payments to be made under the Loan Agreement constituting a general obligation of COFAM and the Foundation; and, be it

FURTHER RESOLVED, That COFAM is authorized to approve, enter into, execute and deliver (as applicable) and perform its obligations under such contracts and other documents as are required for the issuance of the Bonds, including specifically: the Loan Agreement; A Continuing Disclosure Agreement, under which COFAM and the Foundation will agree to provide Annual Reports and reporting of significant events, as required by federal securities law; all documents normally associated with a variable interest rate and auction rate securities issuance, such as remarketing agreements, auction agent agreement, broker dealer agreement, market agent agreement; the preliminary and final Official Statement used in the marketing of the Bonds; the acceptance of a commitment of a municipal bond insurer to insure the bonds, and related repayment contracts; standby purchase agreements and other liquidity documents relating to the variable interest rate Bonds; and such other documents as are necessary to accomplish a variable rate and auction rate tax-exempt issuance of the Bonds under California and federal law (all such agreements and documents are referred to as the "Borrower Documents"), provided that the authorization set forth in this paragraph with respect to the principal Borrower Documents in favor of the municipal bond insurers is subject to the approval by the Executive Committee of COFAM of the principal terms of such Borrower Documents in favor of the municipal bond insurers; and, be it

FURTHER RESOLVED, That the President of the Board of Trustees and Chief Executive Officer are hereby authorized to execute on behalf of COFAM the Borrower Documents and, as applicable, to agree to modifications of such documents from their current terms (on file with the Chief Executive Officer).

A motion was made and seconded to adopt the resolution. There was no discussion among Trustees. There was no public testimony. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 305**.

C. Report on the Plans for a New de Young Museum in Golden Gate Park

President Wilsey advised that there were no new developments to report at this time.

D. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey announced that to date the capital campaign totaled $152,666,858 in gifts and pledges from 5,557 donors. The recent *Your de Young* campaign raised $1,342,513. Trustee Bowles offered congratulations on the effectiveness of the *Your de Young* campaign materials. The Board of Trustees expressed appreciation to President Wilsey for her remarkable capital campaign fund-raising achievement with a round of applause.

E. Other Informational Items

1. Report on the May 15-19, 2002 Groundbreaking for a New de Young Museum in Golden Gate Park

Plans are underway for the May 15-19, 2002 events celebrating the groundbreaking for a New de Young Museum in Golden Gate Park.

2. Report on the February 6-8, 2002 National Council Meeting – Gail Merriam, Co-Chair of the National Council Planning Committee

Trustee Merriam, Co-Chair of the National Council Planning Committee, reported on the February 6-8, 2002 National Council Meeting. The National Council will attend the opening of *Masterworks of New Guinea Art: Selections from the Marcia and John Friede Collection* at the Legion of Honor on Wednesday evening, February 6th, followed by dinner at the home of Trustee Emeritus Wm. Laney Thornton. It was pointed out that Marcia and John Friede are members of the National Council. The business meeting will be held the next day followed by a tour of the Interim de Young facility in South San Francisco in the afternoon and the Gala Preview Opening of the Tribal Arts Show that evening at the Festival Pavilion at Fort Mason. On Friday, February 8th, the National Council meeting concluded with a luncheon hosted by President Wilsey. The next National Council meeting will be held on October 2-4,2002. Co-Chair Merriam concluded her report with a request that Trustees contact her with the names of individuals to be considered for membership on the National Council.

3. Report on Plans for the Opening of *Masterworks of New Guinea Art: Selections from The Marcia and John Friede Collection* on February 6, 2002 and the Gala Preview Opening of the Tribal Arts Show on February 7, 2002

Trustee J. Alec Merriam encouraged all to attend the February 7, 2002 Gala Preview Opening of the San Francisco Tribal Arts Show from 6 to 10 p.m., at the Festival Pavilion at Fort Mason. The preview, chaired by Mr. and Mrs. J. Alec Merriam with Mrs. Paul L. Wattis as Honorary Chairman, will benefit the Africa, Oceania and the Americas and the Textiles galleries in the New de Young Museum.

4. Report on an Elegant Evening in the Court of Honor, December 12, 2001, Legion of Honor – Jamie Nicol Bowles, Chair

Chair Bowles reported on an Elegant Evening in the Court of Honor held on December 12, 2001 at the Legion of Honor. The successful holiday gala attracted 473 guests, including a younger audience primarily due to a special ticket price for family members. The event netted approximately $20,000 for the Museums.

IV. Director's Report - Harry S. Parker III

A. Report on COFAM Operating Budget as of December 31, 2001

At the request of Mr. Parker, Steve Dykes, Deputy Director for Administration and Finance, presented the COFAM Operating Budget Report as of December 31, 2001. At December 31, 2001, the budget was $188k in the red, compared to the expectation of $282k positive. The COFAM Reserve was $2,514k, up $169k from the month before.

Six month operating results were pumped up by taking $300k from an anonymous unrestricted gift into annual contributions – part of management's December 31, 2001 interim revised budget plan to counteract a poor first half of the fiscal year, during which the recession, the September 11, 2001 terrorist attacks, City Hotel Tax budget cutbacks, and modest public response to the *Henry Moore* and *Logan Artists Books* shows combined to knock down store proceeds, general admission fees, and exhibition income.

The interim plan is explained in the December 13, 2001 Executive Committee minutes and is included in Column 3 of the December budget report. The plan relies on taking one-time funds into the budget, freezing personnel vacancies, and imposing selected 5% and 10% other expense cuts. While this plan lands the Museums in the black at year-end before depreciation charges, the possibility of further economic decline, poor response to the Legion exhibit program, and the unforeseen make this a very difficult year. Accordingly, management will continue to examine monthly results, making changes wherever possible to keep the budget on track.

Mid-year results were reported as follows. At $3,748k support was up $381k, primarily due to the one-time addition of $300k from the previously mentioned unrestricted gift. At $2,579k revenues were considerably off target by $573k.

At $3,505k personnel expenses ran $57k below budget due to attrition savings from five vacant full-time positions plus savings from employees voluntarily reducing their workweeks. The re-calculation of personnel costs led to several mid-year corrections, notably in the Curatorial / Conservation / Education line.

At $2,841K other expenses were $219k over budget. Exhibit costs were $149k of this overage due to costs occurring sooner than anticipated for certain shows. Costs for Benefits and Administration General were higher than expected, but will even out in the second half of the fiscal year. Similarly, Development and Memberhship expenses were down but will catch up. The overage for offsite facilities was included in the interim budget revision to correct a mistake in the original budget. Last, the City's partial reimbursement for COFAM Education Program expenses was scrapped as part of the City budget cutback.

Other expenses will be micro-managed in the next six months to deliver the selected 5% and 10% cuts that are part of the interim revision to keep the operating budget in balance.

B. Consideration and Possible Action to Adopt a Resolution Designating the Bequest from the Estate of Marjorie Stix Salz to the New de Young Museum Fund of The Fine Arts Museums Foundation

Mr. Parker reported that decedent Marjorie Stix Salz had named The Museum Society of San Francisco as a beneficiary to receive one-sixth of the residue of her estate. The Museum Society was a membership support organization of the Fine Arts Museums of San Francisco (FAMSF) and the Asian Art Museum (AAM), which was dissolved in 1996. It has been the practice in the past that funds received by The Museum Society have been distributed two-thirds to FAMSF and one-third to the AAM. However, in a letter from attorney Michael L. Korbholz, representing the Estate of Marjorie Stix Salz and Richard Salz, husband of Marjorie Stix Salz and Executor of her Estate, requested that in keeping with the wishes of Marjorie Stix Salz the entire distribution of $222,982.03 be directed to either the de Young Museum, or if not, to the Palace of the Legion of Honor.

The subsequent resolution was introduced by Mr. Parker:

WHEREAS, The building of a New de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums; and

WHEREAS, On December 15, 2000, Helen Yune. Paralegal with Farella Braun + Martel LLP, informed the Museums that Marjorie Stix Salz, had named the Museum

Society of San Francisco as one of six charitable beneficiaries to receive one-sixth of the residue of her estate; and

WHEREAS, Funds received by The Museum Society, a former membership support organization of the Fine Arts Museums of San Francisco (FAMSF) and the Asian Art Museum (AAM), are to be distributed two-thirds to FAMSF and one-third to the AAM in accordance with Museum Society policy; and

WHEREAS, The Museum Society dissolved in 1996, and the Corporation of The Fine Arts Museums (COFAM) became the successor organization for The Museum Society (FAMSF component); and

WHEREAS, A check in the amount of $222,982.03 from the Estate of Marjorie Stix Salz was received on December 17, 2001; and

WHEREAS, In a letter dated January 4, 2002, Attorney Michael L. Korbholz, representing the Estate of Marjorie Stix Salz and Richard Salz, husband of Marjorie Stix Salz and Executor of her Estate, requested that in keeping with the wishes of Marjorie Stix Salz the entire distribution of $222,982.03 be directed to either the de Young Museum, or if not, to the Palace of the Legion of Honor; and

WHEREAS, The Chief Executive Officer has recommended that the $222,982.03 bequest from the Estate of Marjorie Stix Salz be designated for the New de Young Museum Fund of The Fine Arts Museums Foundation; now, therefore, be it

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby designate the $222,982.03 bequest from the Estate of Marjorie Stix Salz, and any additional distributions, for the New de Young Museum Fund of The Fine Arts Museums Foundation; and, be it

FURTHER RESOLVED, That the COFAM Board of Trustees recognizes the extraordinary generosity of decedent Marjorie Stix Salz with sincere appreciation.

A motion was made and seconded to adopt the resolution. In response to a question raised by Trustee Baum, Mr. Parker confirmed that the AAM agreed that COFAM should receive the entire distribution of $222,982.03 as requested by attorney Michael L. Korbholz, who represents the Estate of Marjorie Stix Salz and Richard Salz, husband of Marjorie Stix Salz and Executor of her Estate. There was no further discussion among Trustees. There was no public testimony. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 306**.

B. Consideration and Possible Action to Adopt a Resolution Authorizing the Transfer of Stock

Mr. Parker introduced the following resolution:

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums (COFAM) does hereby authorize that any two of the following individuals are fully authorized and empowered to sell, assign, transfer, and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by this Corporation and to make, execute, and deliver any and all written instruments necessary or proper to effectuate the authority hereby conferred, including execution of all written instructions necessary for our nominees, Wells Fargo Bank, Dresdner RCM Global Investors, and Merrill Lynch, to implement the transaction.

Authorized Individuals:
Harry S. Parker III, Chief Executive Officer
Stephen E. Dykes, Treasurer
Barbara Boucke, Deputy Director for Development.
Robert M. Cullison, Controller

On motion, duly seconded, there was no discussion among Trustees. There was no public testimony. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 307.**

C. Report of the New de Young Museum Building Committee – Steven Macgregor Read, Chair

In the absence of Chair Read, Mr. Parker reported that the Concourse Authority's plans for the underground parking garage in Golden Gate Park was presented at the January 29, 2002 meeting of the New de Young Building Committee. Gordon Chong, architect for the Concourse garage, has designed a plan, which accomplishes all of the objectives set forth for the garage in three phases: 1) the building of the de Young Museum parking component; 2) the construction of the Academy of Sciences parking component; and 3) the addition of the public transit underground bus storage area, MUNI and intra-Park shuttle stops, and the construction of a north to south access road.

Trustee Emerita Stephanie MacColl, a member of the Concourse Authority, stated that it is planned that the de Young garage will be completed two months before the New de Young Museum opens.

VI. D. Report of the Music Advisory Task Force – Gail Merriam, Chair

Chair Merriam advised that the Music Advisory Task Force oversees the music programs offered at the Museums, including the weekend organ concerts at the Legion of Honor and concerts involving the Guarnerius violin. Three concerts this spring will feature the Guarnerius violin: 1) the New Century Chamber Orchestra concert on February 2nd; 2) on March 9th, the violin will be played by exceptional San Francisco Conservatory of Music students at a concert honoring Trustee Emerita Mrs. Paul L. Wattis; and 3) Alexander Barantschik, new concertmaster of the San Francisco Symphony, will perform on the legendary violin on June 16th. The Task Force met most recently January 16, 2002.

VII. Report of the Annual Support Committee – Shelagh Rohlen, Chair and Vice President

Chair Rohlen reported that in an effort to increase museum membership and giving at every level of participation, Mr. Parker will present a State of the Museums report at a Legion of Honor luncheon on Monday, February 25, 2002. A donor prospect sheet was distributed to each Trustee along with the request that Trustees assist in identifying new donors to be invited to the February 25th cultivation luncheon.

VIII. Report of the Fine Arts Museums Foundation – Richard W. Goss II, President

President Goss reported that at the close of business on January 25, 2002, the endowment portfolio was valued at $74,788,646. It was invested 66.37% in equities, 28.26% in fixed income, and 5.37% in alternative investments.

IX. Public Comment

Members of the public may address the Board of Trustees on items not on the agenda that are within the subject matter jurisdiction of the Corporation of The Fine Arts Museums. Speakers may address the Board for up to three minutes; the President or the Board of Trustees may limit the total comment to thirty minutes. There was no public comment.

X. Adjournment – Diane B. Wilsey, President

In closing, Trustee Essey recalled Senator Dianne Feinstein's eloquent eulogy at the funeral services for Trustee Emeritus Alfred S. Wilsey on January 11, 2002. There being no further business, President Wilsey adjourned the meeting at 5:10 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Board of Trustees on matters stated, but not necessarily in the order in which the matters were considered.

Appendix B

COFAM January 2002 Operating Budget Report

Page

Narrative
Cumulative Surplus (Loss) Chart
Resources & Expenses Detail 1
Annual Contributions 6
Stores Report 7
Exhibition Program 8
Balance Sheet 9

COFAM Operating Budget-In-Brief

Month Ended 31 January 2002

Overview

At 1/31/02 the budget was $593k in the red, compared to the expectation of $11k positive. The COFAM Reserve was $2,546k, up $31k from the month before.

Note that the 12/13/01 Interim Revised Budget plan is set out in Column 3 of the budget number summary. The plan was discussed at the December 2001 Executive Committee meeting. It relies upon propping up the budget with more than $400k in one-time funds, freezing personnel vacancies, and imposing selected 5% and 10% other expense cuts. While the plan is balanced at year's end on 6/30/02 before depreciation charges, it will be difficult to right a poor first half of the year, cope with one-museum operation, and hopefully emerge from the recession.

Budget highlights at the end of January 2002 follow:

Support & Revenue

At $4,436k support was up $430k, primarily due to a one-time $300k unrestricted gift. At $2,970 revenues were off target by $645k in the same areas since last fall. Stores were off $77k, facilities rentals off $78k, general admissions off $113k, member dues of $177k, trip fees off $184k – a budget aberration with expense offsets from the Italy trip cancelled after 9/11/01, adds for new Dutch trip, and ultimately breakeven results by year-end.

Expenses

At $4,365k personnel expenses ran $73k below budget due to freezing five vacant fulltime positions plus savings from employees voluntarily

reducing their workweeks. Exhibit Group personnel costs are down and largely offset by an increase in Exhibit Program Temporary Labor – the result of using an additional $100k of income from the Goldsmith Fund to pay for regular operating personnel expenses associated with the *Dada* show to help balance the budget on a one-time basis.

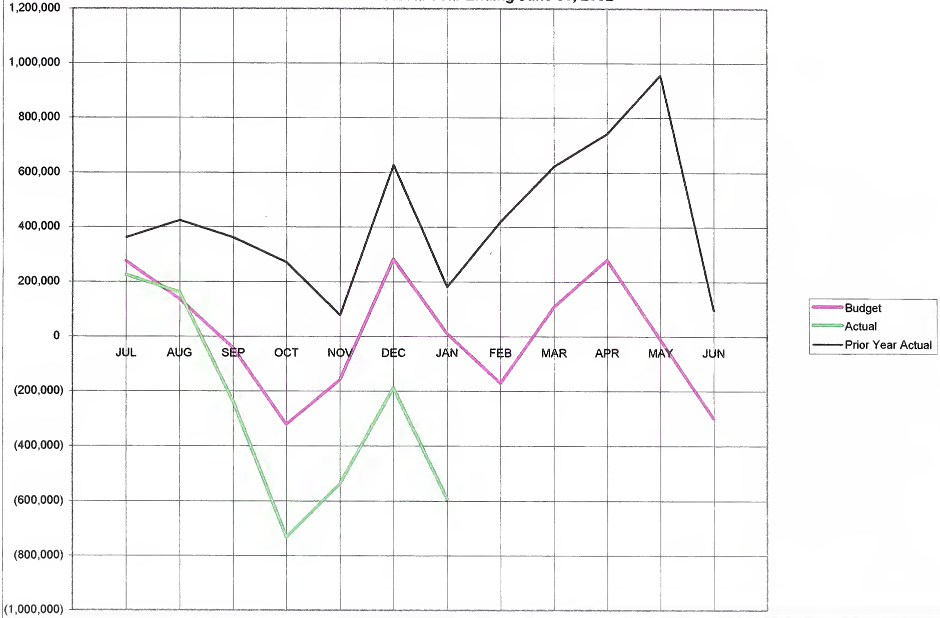
At $3,427k other expenses were $318k over budget. Exhibit costs were $243k of this overage. The cost of returning *Thiebaud* exhibit art from the Whitney Museum of American Art to lenders went up about $80k due to using truck transport rather than planes in the wake of 9/11/01. *Dada* and the road tour of *American Accents* are also running higher than expected but can be covered respectively with Goldsmith Fund income and Root income. The Interim Budget Plan kept the annual exhibit $100k bogey of grants and gifts to be raised. That assumption is now questionable, and is part of management's re-examination of the entire exhibit schedule and its impact on the operating budget.

The remaining other expense variations from budget are expected to even out before year's end and track savings goals. The overage for offsite facilities was included in the interim budget revision to correct a mistake in the original budget. Last, the City's partial reimbursement for COFAM Education Program expenses was scrapped as part of the City budget cutback.

# # #

brept F 3/8/02 at 11:03am

COFAM CUMULATIVE SURPLUS (LOSS) CHART
Fiscal Year Ending June 30, 2002



COFAM FY 2001-02 Revised Budget Proposal and January Budget Report (7 Months -- 58.3% Of The Budget Year)

$ in thousands

	(1) January			(2) 7 Months			(3)			(4)	
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	Interim Revised Budget @ 12/13/01	Variance to Original Budget	Actual Prior Year At 7 Months	
SUPPORT & REVENUE											
Support											
1) Annual Contributions	209	170	(39)	1,500	1,753	253	2,700	3,000	300	1,470	See page 6.
2) Foundation Endowment Support	184	184	(0)	1,285	1,285	(1)	2,203	2,203	-	1,230	
3) Specified Funds											
--Curatorial/Conservation	60	69	9	219	263	44	391	397	6	198	See page 7.
--Publications	0	13	13	50	68	18	50	77	27	55	
--Exhibitions	45	149	104	109	244	135	499	539	40	148	
--Education Programs	33	46	13	143	182	39	321	442	121	147	
--Offsite Facilities	47	44	(3)	325	291	(34)	561	561	-	0	
--General	34	0	(34)	196	212	16	217	277	60	229	
Subtotal Specified Funds	218	319	101	1,041	1,260	218	2,039	2,293	254	777	
4) COFAM Investment Income	28	16	(12)	179	139	(41)	275	275	-	217	
Subtotal Support	639	688	49	4,006	4,436	430	7,217	7,771	554	3,694	

COFAM FY 2001-02 Revised Budget Proposal and January Budget Report (7 Months -- 58.3% Of The Budget Year)

$ in thousands

	(1)			(2)			(3)			(4)	
	January			7 Months							
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	Interim Revised Budget @ 12/13/01	Variance to Original Budget	Actual Prior Year At 7 Months	
Revenue											
5) Museum Store Sales	56	64	9	596	515	(81)	1,234	1,125	(109)	1,406	See page 9.
Less Discounts	(2)	(4)	(1)	(26)	(27)	(1)	(51)	(47)	4	(145)	
Less Cost of Goods	(30)	(37)	(7)	(316)	(302)	14	(659)	(601)	58	(728)	
Less Commissions and Royalties	(1)	(12)	(12)	(3)	(12)	(9)	(5)	(5)	0	0	
Gross Profit	23	12	(11)	251	173	(77)	518	472	(46)	533	
6) Facilities Rental Gross	24	3	(21)	399	321	(78)	604	544	(60)	411	
7) Benefits Gross Income / ArtPoint	0	7	7	143	149	6	190	190	-	115	
8) General Admissions COFAM Net	55	55	0	530	417	(113)	940	801	(139)	770	
9) Food & Beverage Concession Fees	9	11	2	74	78	4	125	125	-	119	
10) Exhibition Program Earned Income	3	35	33	206	206	(0)	232	239	7	187	See pages 10.
11)FAM Membership Dues	257	214	(43)	1,448	1,271	(177)	2,748	2,598	(150)	1,468	
12) Conservation Services	46	16	(30)	226	201	(26)	370	330	(40)	195	
13) Miscellaneous											
--Development Trip Fees	25	8	(17)	200	16	(184)	250	200	(50)	74	
--Publication Sales Net	3	7	4	21	18	(3)	32	32	-	84	
--Other Fees	19	24	5	118	120	2	214	214	-	125	
Subtotal Revenue	463	391	(72)	3,615	2,970	(645)	6,224	5,745	(478)	4,082	
Total Support & Revenue	1,102	1,079	(22)	7,621	7,406	(215)	13,441	13,516	76	7,776	

Museum Attendance:

Legion - January 2002: 21,346 vistors, 42.2% paid, budgeted - 20,000 visitors, 45% paid
Year to date: 165,731 vistors, 41.9% paid, budgeted - 205,000 visitors, 45% paid

Membership:

Year to date: 19,280 dues paid members averaging $65.92 per member
compared to budgeted goals of 22,657 dues paid members averaging $63.90 per member.
Current active paying members = 41,895

COFAM FY 2001-02 Revised Budget Proposal and January Budget Report (7 Months -- 58.3% Of The Budget Year)

$ in thousands

	(1) January Original Budget	Actual	Variance to M-T-D Budget	(2) 7 Months Original Budget	Actual	Variance to Y-T-D Budget	(3) Original Budget	Interim Revised Budget @ 12/13/01	Variance to Original Budget	(4) Actual Prior Year At 7 Months
EXPENSES										
Personnel Expenses										
14) Curatorial										
Curatorial/Conservation/Education	296	291	(5)	1,493	1,464	(28)	2,562	2,501	(61)	1,444
Project Funded/Term Employees	54	53	(1)	307	321	14	532	520	(12)	343
Exhibit Group	115	57	(59)	592	475	(117)	1,001	978	(23)	480
Exhibit Program Temporary Labor	13	70	57	42	133	92	87	88	1	89
15) Development										
Development - General	72	72	1	359	362	3	620	606	(14)	327
Membership	53	54	1	273	268	(5)	462	476	14	242
16) Administration										
Administration General	151	144	(7)	752	714	(38)	1,309	1,284	(25)	697
Operations Group	38	36	(2)	195	186	(9)	329	334	5	178
17) Marketing										
Media Relations & Advertising	35	33	(2)	178	168	(10)	307	296	(11)	167
Stores	38	37	(1)	193	206	13	330	383	53	215
Facilities Rental	11	13	2	55	68	13	95	86	(9)	63
Subtotal Personnel	877	860	(16)	4,439	4,365	(73)	7,633	7,552	(81)	4,246

COFAM FY 2001-02 Revised Budget Proposal and January Budget Report (7 Months -- 58.3% Of The Budget Year)

$ in thousands

	(1)			(2)			(3)			(4)
	January			7 Months						
	Original Budget	Actual	Variance to M-T-D Budget	Original Budget	Actual	Variance to Y-T-D Budget	Original Budget	Interim Revised Budget @ 12/13/01	Variance to Original Budget	Actual Prior Year At 7 Months
Other Expenses										
18) Curatorial										
Curatorial/Conservation/Education	43	67	24	279	302	23	515	481	(34)	349
Publications	0	13	13	50	68	18	50	50	-	54
Exhibit Group	9	18	9	59	56	(3)	109	98	(11)	63
Exhibit Program	82	176	94	334	577	243	898	872	(26)	465
19) Development										
Development - General	47	72	25	280	221	(59)	598	530	(68)	216
Art Point	1	6	5	51	27	(24)	94	89	(5)	27
Benefits	22	11	(11)	90	120	30	190	190	-	88
Membership	34	20	(14)	287	213	(74)	546	519	(27)	234
Magazine / Guide	23	13	(9)	164	170	6	317	317	-	231
20) Administration										
Administration General	86	54	(33)	604	652	48	1,090	1,051	(39)	821
Operations Group	14	23	9	90	134	44	172	156	(16)	421
Offsites	63	77	14	433	521	88	752	932	180	0

Continued..

COFAM FY 2001-02 Revised Budget Proposal and January Budget Report (7 Months -- 58.3% Of The Budget Year)

$ in thousands

	(1) January Original Budget	Actual	Variance to M-T-D Budget	(2) 7 Months Original Budget	Actual	Variance to Y-T-D Budget	(3) Original Budget	Interim Revised Budget @ 12/13/01	Variance to Original Budget	(4) Actual Prior Year At 7 Months
Other Expenses Continued										
21) Marketing										
Media Relations & Advertising	30	19	(12)	277	229	(48)	456	441	(15)	240
Stores	4	5	1	24	42	18	48	48	-	67
Facilities Rental	30	14	(16)	88	97	9	164	152	(12)	116
Subtotal Other Expenses	487	586	99	3,109	3,427	318	5,999	5,926	(73)	3,393
22) City Partial Reimbursement for Education Program	(20)	0	20	(142)	0	142	(243)	-	243	(239)
Total Expenses	1,344	1,446	103	7,406	7,792	386	13,389	13,478	89	7,401
SUPPORT & REVENUE OVER EXPENSES	(242)	(367)	(125)	215	(386)	(601)	51	38	(13)	375
LESS PLANT FUND EXPENSE	(29)	(38)	(9)	(204)	(207)	(3)	(350)	(350)	0	(193)
THE BOTTOM LINE	(271)	(405)	(134)	11	(593)	(604)	(299)	(312)	(13)	182

Appendix "A" - Annual Contributions Report -- Month Ending January 31, 2002 (58.3% Of The Budget Year)
$ in thousands

(1) Contribution Categories	(2) January 2002 Actuals	January 2002 Budget	January 2001 Actuals	(3) Year To Date Budget	Year To Date Actuals	Variance to Y-T-D Budget	Prior Year Actuals	(4) Current Year Revised Annual Goals	Current Year % of Revised Annual Goals Achieved
1) Associates ($5,000 and up)	115	125	135	895	931	36	949	1,600	58.2%
2) Patrons ($2,500 - $5,000)	14	20	6	100	91	(9)	63	175	52.2%
3) Friends ($1,000 - $2,500)	23	45	33	245	204	(41)	219	480	42.5%
4) National Council/Other	8	5	5	28	31	3	20	50	62.9%
5) Mail Drive	3	0	0	2	25	23	1	100	25.1%
6) Phone Campaign	0	0	0	0	0	0	0	0	0.0%
7) Business	3	9	17	90	27	(63)	62	130	20.6%
8) Foundations	4	5	1	140	444	304	156	465	95.5%
	170	209	197	1,500	1,753	253	1,470	3,000	58.4%

Appendix B -- Stores Report: 7 Months Ended January 31, 2002
$ in thousands

	In House Merchandising				Outside Merchandising	
	(1) Legion Store		(2) Internet Store		(3) Wholesale & Royalties	
	Budget	Actual	Budget	Actual	Budget	Actual
Sales	465	467	0	2	36	40
Discounts	(23)	(28)				
Cost of Goods	(242)	(271)	0	(1)	(22)	(26)
Commissions & Royalties	0	0	0	0	(5)	(12)
Gross Profit	200	168	0	1	9	1
Personnel Expenses	193	188	0	0	0	14
Other Expenses	23	30	0	9	0	0
Total Expenses	216	218	0	9	0	14
Gross Profit Over Expenses	(16)	(49)	0	(8)	9	(12)
Variance Actual to Budget		(34)		(8)		(21)

	Exhibition Merchandising					
	(4) Moore Store		(5) Dada/Surrealism Store		(6) Grand Totals	
	Budget	Actual	Budget	Actual	Budget	Actual
Sales	95	7	0	0	596	516
Discounts	(3)	(0)	0	0	(26)	(28)
Cost of Goods	(52)	(4)	0	0	(314)	(302)
Commissions	0	0	0	0	(6)	(12)
Gross Profit	40	2	0	0	250	174
Personnel Expenses	0	3	0	1	193	206
Other Expenses	2	2	0	2	24	43
Total Expenses	2	5	0	2	217	249
Gross Profit Over Expenses	39	(2)	0	(2)	33	(75)
Variance Actual to Budget		(41)		(2)		(108)

Appendix C -- Exhibition Program FY 01-02

		Venue	(1) Runs		(2) Cost Original	Revised	(3) Gifts and Grants Original	Revised		(4) Income Original	Revised		(5) Nets Original	Revised
	In-House Exhibitions													
1	Henry Moore: Sculpting the 20th Century (110)	L	23-Jun-01	16-Sep-01	$ 80,640	$ 33,203				106,455	53,936		25,815	20,733
										Admissions @ 175 per hr $2 00 $15k Audio tour net				
2	Logan Book Gallery (3 rotations) (165)	L	ongoing		$ 6,800	$ 6,800							(6,800)	(6,800)
3	Marks of Creativity: Recent Acq. Of Calif. Drawings (AGFA) (142)	L	20-Oct-01	10-Feb-02	$ 6,200	$ 6,200							(6,200)	(6,200)
4	The Artist Book in the Modern Era, 1870-2000 The Reva and David Logan Collection (155)	L	06-Oct-01	06-Jan-02	$ 93,240	$ 93,240							(93,240)	(93,240)
5	Triumph of Fortitude (textile rotation) (123)	L	01-Nov-01	02-Jul-01	$ 5,570	$ 5,570							(5,570)	(5,570)
5	Richard Diebenkorn: Clubs and Spades (170)	L	19-Jan-02	14-Apr-02	$ 10,950	$ 10,950							(10,950)	(10,950)
6	New Acquisitions from the Marcia and John Friede Collection (143)	L	26-Jan-02	30-Jun-02	$ 46,700	$ 46,700							(46,700)	(46,700)
7	Dreaming with Open Eyes:Dada and Surrealism from the Arturo Schwarz Collection (107)	L	02-Feb-02	28-Apr-02	$ 263,918	$ 363,918	263,918	363,918	Goldsmith fund	15,000	15,000	Audio tour	15,000	15,000
8	Recent Acquisitions of Contemrporary Art (156)	L	20-Apr-02	11-Aug-02	$ 6,350	$ 6,350							(6,350)	(6,350)
9	Herodian Temple Mount (133)	L	18-May-01	06-Jul-01	$ 71,033	0	60,000	0	IAA				(11,033)	0
10	Hard Edge (145)	L	25-May-02	07-Jul-02	$ 10,650	$ 10,650							(10,650)	(10,650)
11	Michel Sweerts (124)	L	08-Jun-02	25-Aug-02	$ 212,804	$ 212,804		25,000	NEA				(212,804)	(187,804)
12	Grants and Gifts To Be Raised						100,000	100,000					100,000	100,000
		Subtotal In-House Exhibits			$ 814,855	796,385	423,918	488,918	-	121,455	68,936		(269,482)	(238,531)
	FAM Traveling Exhibitions													
13	Thiebaud to Whitney (147)		28-Jun-01	23-Sep-01	$ 75,000	$ 193,011				85,000	110,000		10,000	(83,011)
14	Anderson 2000 to Albuquerque (161)		07-Oct-01	06-Jan-02	$ 20,450	$ 20,450				20,450	20,450		0	0
15	American Paintings (166)		TBD	TBD	$ 75,000	$ 75,000	75,000	75,000	Root	0	0		0	0
16	Airport Exhibitions (160)		TBD	TBD						5,000	5,000		5,000	5,000
17	Leonard Baskin (possible tour to NY before Fall 2002 in Maine												0	0
18	John Cage (possible touring exhibition to Oregon/NorthCarolina												0	0
19	Gantner-Meyer Travels				$ -	35,000					35,000		0	0
	Subtotal Traveling Tours				$ 170,450	$ 323,461	$ 75,000	$ 75,000		$ 110,450	$ 170,450		$ 15,000	(78,011)
	Total in House and Traveling Exhibitions				$ 985,305	1,119,846	498,918	563,918		231,905	239,386		(254,482)	(316,542)

COFAM Balance Sheet At January 31 2002

$ in thousands

ASSETS	
Cash	695
Cash Equivalents	10,176
Accounts Receivable	3,666
Prepaid Expenses	893
Note Receivable	250
Inventory - Store	589
Inventory - Publications	558
Investment in Stocks and Bonds	639
Furniture & Equipment (Net)	381
	17,847

LIABILITIES & FUND BALANCES	
Accounts Payable	335
Other Accrued Liabilities	4,450
Deferred Income - Restricted	7,845
Deferred Income - Unrestricted	4,112
Fund Balances	
Unrestricted Fund	3,605
Plant Fund	(2,171)
Revenues over Expenses (Note 2)	(329)
	17,847

COFAM Reserve At 1/31/02 2,546

Note 1 -- Reserve Formula

Cash & Cash Equivalents	10,871
Bonds	639
Accounts Receivable	3,666
Less Accounts Payable	(335)
Less Other Accrued Liabilities	(4,450)
Less Deferred Income - Restricted	(7,845)
	2,546

Note 2 -- Revenues over Expenses

Operating Revenue over Expenses	(373)
Less Plant Fund	(207)
Plus Restricted Funds	251
Less Airport Fund	0
Surplus / (Deficit)	(329)

COFAM Balance Sheet At December 31 2001

$ in thousands

ASSETS

Cash	1,568
Cash Equivalents	8,654
Accounts Receivable	4,093
Prepaid Expenses	867
Note Receivable	250
Inventory - Store	720
Inventory - Publications	445
Investment in Stocks and Bonds	639
Furniture & Equipment (Net)	400
	17,636

LIABILITIES & FUND BALANCES

Accounts Payable	692
Other Accrued Liabilities	4,495
Deferred Income - Restricted	7,253
Deferred Income - Unrestricted	3,750
Fund Balances	
Unrestricted Fund	3,605
Plant Fund	(2,171)
Revenues over Expenses (Note 2)	12
	17,636

COFAM Reserve At 12/31/01 2,514

Note 1 -- Reserve Formula

Cash & Cash Equivalents	10,222
Bonds	639
Accounts Receivable	4,093
Less Accounts Payable	(692)
Less Other Accrued Liabilities	(4,495)
Less Deferred Income - Restricted	(7,253)
	2,514

Note 2 -- Revenues over Expenses

Operating Revenue over Expenses	(20)
Less Plant Fund	(169)
Plus Restricted Funds	201
Less Airport Fund	0
Surplus / (Deficit)	12

Appendix C

FINE ARTS
MUSEUMS
of SAN FRANCISCO

Fine Arts Museums Auxiliary
California Palace of the Legion of Honor
M.H. de Young Memorial Museum

RECEIVED
FEB - 5 2002
DIRECTORS OFFICE

February 4, 2002

Harry S Parker III,
Director,
Fine Arts Museums of San Francisco,
233, Post St.,
San Francisco

Dear Harry,

The San Francisco Auxiliary of the Fine Arts Museums would like the Executive Committee of the Board of Trustees to approve the enclosed changes in the Operating Guidelines. These were approved by a majority of those present at the meeting on Jauary 28, 2002.

These changes are designed to increase the number of active members from 110 to 130; eliminate the meeting during the month of Bouquets to Art, making 7 meetings per year rather than 8; requiring an attendance at 4 meetings rather than 5, allowing those whose work prohibits 4 meetings to work extra hours for Bouquets to Art instead; and allowing each active member to sponsor 2 candidates per year rather than 1, after 1 year rather than 2.

Yours sincerely,

Jane

Jane Forbes
Chairman
FAMSF Auxiliary

-- over --

233 Post Street, San Francisco, CA 94108-5003

FINE ARTS
MUSEUMS
of SAN FRANCISCO

Fine Arts Museums Auxiliary
California Palace of the Legion of Honor
M.H. de Young Memorial Museum

CHANGES TO BYLAWS & STANDING RULES

Bylaws:

Article 111, Section 1(b)	The number of Active Members shall be maintained at a minimum of 45 and a maximum of 130.
Article V, Section 1(a)	There shall be at least 7 regular meetings for the Auxiliary each year.
Article 111, Section 5	Each Active member is required to attend 4 regular meetings each year, or work a comparable number of extra hours for Bouquets to Art, participate in the volunteer activities of the Auxiliary, pay annual Auxiliary dues, and financially support the fund-raising events of the Auxiliary (minimum one ticket plus work time). She must be a member of the Fine Arts Museums.

Standing Rules of the Membership Committee:

1.Active Members may sponsor or co-sponsor 2 candidates per year. The Chairman, members of the Membership Committee, or members of less than one year are ineligible to sponsor candidates.

0.254
2
4/02

CORPORATION OF THE FINE ARTS MUSEUMS

Executive Committee
Board of Trustees

March 14, 2002

I. Calling of the Meeting to Order and Invitation to Members of the Public to Attend and Participate in Discussions Relating to the New de Young Financing Plan and the Issuance of Tax-Exempt Bonds by the ABAG Finance Authority for NonProfit Corporations (Agenda Item III., C.) - Diane B. Wilsey, President

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, March 14, 2002, in the 6th Floor Conference Room of the Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 1:16 p.m. by Diane B. Wilsey, President. President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

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SAN FRANCISCO
PUBLIC LIBRARY

Present:

Richard P. Essey
Richard W. Goss II
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
J. Alec Merriam
Marianne H. Peterson
Shelagh Rohlen, Vice President/Annual Support
Paul Violich
Diane B. Wilsey

Excused:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Robert P. Morrow III, Vice President/Finance
Nion McEvoy
Steven MacGregor Read
Lonna Wais

Other Trustee in Attendance:

Gail Merriam

Non-voting Officers Present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

III. Report of the President – Diane B. Wilsey

A. Approval of the Minutes of the January 31, 2002 Meeting of the Board of Trustees

There being no discussion among the Trustees, the minutes of the January 31, 2002 meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Report on the Plans for a New de Young Museum in Golden Gate Park

President Wilsey advised that there were no new developments on the plans for a New de Young Museum to report at this time.

C. Report on the New de Young Museum Financing Plan

Mr. Parker noted that in order to meet the cash flow requirements for the construction of the New de Young Museum, the Board of Trustees of the Fine Arts Museums of San Francisco at its January 31, 2002 meeting approved the New de Young Financing Plan and supported the decision of the Corporation of The Fine Arts Museums (COFAM) and the Foundation to borrow the proceeds of the issuance of the tax-exempt bonds to be issued by the ABAG Finance Authority for NonProfit Corporations. He introduced the following members of the New de Young Financing Team, who were present to brief the Executive Committee on progress to date:

Richard W. Chisholm, Managing Director, Municipal Securities, Banc of America Securities
Nicolai J. Sklaroff, Vice President, Public Finance Department, SalomonSmithBarney
William H. Madison, Jones Hall (Bond Counsel)
Adam Sachs, Folger Levin & Kahn LLP (501(c)(3) Counsel)
Sean Tierney, Hawkins, Delafield & Wood (Underwriters Counsel)

1. Report on Bond Insurance Commitment

Richard W. Chisholm, Managing Director, Municipal Securities, Banc of America Securities, reported that an extensive process involving interviews, presentations and site visits were held with the rating agencies. The outcome was positive with both Standard & Poor's and Fitch giving the Museums a preliminary ranking in the A category. Other cultural institutions in the A category are the Shedd Aquarium, the New York Public

Library, and the American Museum of Natural History. The agencies were complimentary of the Museums and particularly impressed by the fund-raising efforts. Each of the rating agencies will produce a rating report, which will be helpful in the marketing of the bonds.

Nikolai Sklaroff, Vice President, Public Finance Department, SalomonSmithBarney, advised that the positive assessment from the rating agencies provided leverage for the Museums in discussions with four potential bond insurers. The premium quoted by the finalist bond insurer, MBIA, is 74.5 basis points. The commitment letter with MBIA is being finalized.

2. Report on Loan Agreement Financial Conditions

William H. Madison, Jones Hall (bond counsel), proceeded to summarize the appended financial condition covenant required by MBIA. The covenant, which is common to this type of financing, is the insurer's assurance that the financial well-being of the organization will be maintained over the life of the issue.

Mr. Madison explained that the covenant has two critical elements, one being the basic promise by COFAM and the Foundation to maintain in the two de Young Project Funds an amount equal to 85-90% of the projected balance in these funds. If the balance is maintained, COFAM and the Foundation would certify this to be the case through an annual, audited financial statement. If the balance is not maintained, COFAM and the Foundation would have a full year to bring the fund balance up to the required level through additional fund-raising, calling the pledges in earlier, etc. If the required level is not achieved during the one year period, a deposit to the reserve fund held by the Trustee would be required. Negotiations are underway with MBIA to determine this amount, which hopefully will be limited to the amount of the shortfall and not 20% of the principal amount of the bonds (worst case). After two fiscal years and if the fund balance is maintained, the reserve fund with any positive earnings is returned, but any positive arbitrage cannot be retained.

If COFAM and the Foundation are unable to restore the balance in the New de Young Funds within one year of making the reserve fund deposit, COFAM and the Foundation will be required to commence amortization of the bonds based upon a schedule to be prepared at that time, using a proxy for the variable interest rate on the bonds, and seeking to achieve approximately level debt service. The use of subordinate borrowings to satisfy the minimum balance covenant will be allowable.

Mr. Parker stressed the risks associated with the financial covenant, namely that the cost of the project is greater than projected, or that the donations are less, or paid more slowly than forecasted. For the past two years, New de Young fund income and expenses have been closely tracked, and pledges have been received ahead of schedule.

3. Report on Status of Liquidity Provider

The financing of the New de Young is being issued in two series. Series A, the auction rate securities underwritten by SalomonSmithBarney, do not require a letter of credit to back them. Series B, the variable rate demand bonds underwritten by Banc America Securities, are usually purchased by tax-exempt money market funds. These firms require a liquidity provider in case investors want to return the bonds to the remarketing agent and the remarketing agent is unable to identify a new investor. The Museums bid out the liquidity line to fourteen local, national and German banks. The bids are due shortly.

4. Report on Financing Timetable

Mr. Sklaroff reported that the bonds are expected to be sold in early May 2002.

D. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey announced that to date the capital campaign totals $153,917,571 in cash and pledges from 5,711 donors.

E. Other Informational Items

1. Report on the February 6-8, 2002 National Council Meeting

President Wilsey reported on the February 6-8, 2002 National Council Meeting. Trustee Emeritus Wm. Laney Thornton hosted a dinner at his home. The National Council also attended the Gala Preview Opening of the Tribal Arts Show on February 7th at the Festival Pavilion, Fort Mason. The Council's next meeting has been scheduled for September 25-37, 2002.

2. Report on the February 7, 2002 Gala Preview Opening of The Tribal Arts Show

The Gala Preview Opening of the Tribal Arts Show was sponsored by the Fine Arts Museums for the first time this year. The event was chaired by Mr. and Mrs. J. Alec Merriam with Mrs. Paul L. Wattis as Honorary Chairman. The evening featured national and international art dealers and was attended by almost 400 individuals. The net proceeds of approximately $28,000 benefit the Textiles and Africa, Oceania and the Americas galleries in the New de Young Museum.

3. Report on the May 8, 2002 Yves St. Laurent Benefit

A benefit celebrating the opening of the Yves St. Laurent store on Maiden Lane has been scheduled for May 8, 2002.

4. Report on the March 2-9, 2002 Museum Associates Trip to Holland for the European Fine Art Foundation International Art and Antiques Fair

The Museum Associates traveled to Holland on March 2-9, 2002 for the European International Art and Antiques Fair.

IV. Director's Report - Harry S. Parker III

A. Report of the COFAM Operating Budget as of January 31, 2002

At the request of Mr. Parker, Steve Dykes, Deputy Director for Administration and Finance, gave the COFAM Operating Budget report as of January 31, 2002.

As of January 31, 2002, the COFAM Operating Budget was $593k in the red, compared to the expectation of $11k positive. The COFAM reserve was $2,546k, up $31k from the month before. It was noted that the December 13, 2001 Interim Revised Budget plan was set out in Column 3 of the budget number summary. The plan was discussed at the December 2001 Executive Committee meeting. It relies upon propping up the budget with more than $400k in one-time funds, freezing personnel vacancies, and imposing selected 5% and 10% other expense cuts. While the plan is balanced at year's end on June 30, 2002 before depreciation charges, it will be difficult to right a poor first half of the year, cope with one-museum operation, and hopefully emerge from the recession.

At $4,436k support was up $430k, primarily due to a a one-time $300k unrestricted gift. At $2,970 revenues were off target by $645k in the same areas since last fall. Stores were off $77k, facilities rentals off $78k, general admission off $113k, members dues off $177k, trip fees off $184K – a budget aberration with expense offsets from the Italy trip cancelled after September 11th, adds for the new Dutch trip, and ultimately breakeven results by year-end.

At $4,365k personnel expenses ran $73k below budget due to freezing five vacant fulltime positions plus savings from employees voluntarily reducing their workweeks. Exhibit Group personnel costs are down and largely offset by an increase in Exhibit Program Temporary Labor – the result of using an additional $100k of income from the Goldsmith Fund to pay for regular operating personnel expenses associated with the *Dada* show to help balance the budget on a one-time basis.

At $3,427k other expenses were $318k over budget. Exhibit costs were $243k of this overage. The cost of return *Thiebaud* exhibition art from the Whitney Museum of American Art to lenders went up about $80k due to using truck transport rather than planes in the wake of September 11th. *Dada* and the road tour of *American Accents* are also running higher than expected but can be covered respectively with Goldsmith Fund income and Root endowment income. The Interim Budget Plan kept the annual exhibit $100k bogey of grants and gifts to be raised. That assumption is now questionable, and is part of management's re-examination of the entire exhibit schedule and its impact on the operating budget.

The remaining other expense variations from budget are expected to even out before year's end and track savings goals. The overage for offsite facilities was included in the interim budget revision to correct a mistake in the original budget. Last, the City's partial reimbursement for COFAM Education Program expenses was scrapped as part of the City budget cutback.

B. Consideration and Possible Action to Approve Revisions to the Operating Guidelines of the San Francisco Auxiliary of the Fine Arts Museums to Increase the Number of Active Members from 110 to 130, Eliminate the Meeting During the Month of Bouquets to Art, Requiring Attendance at Four Rather than Five Meetings, Allowing Those Whose Work Prohibits Four Meetings to Work Extra Hours for Bouquets to Art, and Allowing each Active Member to Sponsor Two Candidates Per Year Rather Than One, After One Year Rather Than Two

Mr. Parker presented the appended revisions to the Operating Guidelines of the San Francisco Auxiliary. The proposed revisions: 1) increase the number of active members from 110 to 130; 2) eliminate the meeting during the month of Bouquets to Art; 3) require attendance at four rather than five meetings; 4) allow those whose work prohibits four meetings to work extra hours for Bouquets to Art; and 5) allow each active member to sponsor two candidates per year rather than one, after one year rather than two.

On motion, duly seconded, there was no discussion among Trustees. The Executive Committee voted unanimously to approve the revisions to the Operating Guidelines of the San Francisco as noted above.

V. Report of the Music Advisory Task Force – Gail Merriam, Chairman

Chair Merriam reported on a recent meeting of the Music Advisory Task Force, which oversees the Museums' music program. The Task Force advises on the use of the 1742 Guarnerius del Gesu violin and has been interested for some time in developing a strong chamber music program at the Florence Gould Theater in the Legion of Honor. Chair Merriam advised that the Task Force has expressed concern that the Guarnerius violin should be played more than several times a year in an effort to keep the violin vibrant as an instrument. Recently, the San Francisco Symphony approached the Museums regarding the possibility of a loan of the Guarnerius to the Symphony to be played by Concertmaster Alexander Barantschik. In return, the Symphony would organize a chamber music series in the Florence Gould Theater at the Legion of Honor.

Mr. Parker circulated a draft loan agreement noting that the term of the loan is proposed at three years with the violin returning to the Museums for exhibition no fewer than eight consecutive weeks each summer. A full understanding of how the Guarnerius will be insured and stored between concernts are critical factors. Mr. Parker discussed the terms of the bequest made by Jascha Heifetz. In his holographic will, Mr. Heifetz stated that the Guarnerius may be played on special occasions by worthy performers. In consultation with legal counsel, it has been determined that a court order should be sought to confirm that the loan would be in keeping with the terms of the bequest and to assist the Museums in reaching a final decision to loan the Guarnerius to the Symphony. It is expected that it would take approximately ninety days for a court order to be issued at a cost of about $5,000.

Trustee Jamieson questioned the advisability of allowing the Guarnerius to travel with Concertmaster Alexander Barantschik on tour. Trustee Hecksher pointed out that valuable instruments routinely travel with musicians. Mr. Parker advised that the Museums' insurer will be consulted regarding requirements to be added to the loan agreement.

VI. Report of the Joint Meeting of the Civic Affairs and Audience Development Committee and the Marketing and Communications Committee – Belva Davis, Vice President of Civic Affairs and Audience Development, and Diane B. Lloyd-Butler, Vice President of Marketing and Communications

A. Report on the Wolff Olins Project to Develop Identity Language and Symbols for the Fine Arts Museums of San Francisco, the California Palace of the Legion of Honor, and the New de Young Museum

Chair Lloyd-Butler reported that the Marketing and Communications and Civic Affairs and Audience Development Committees recently met in joint session. Wolff Olins presented the conceptual identity language and symbols for the New de Young Museum. A similar presentation to the Committees on the Legion of Honor will be scheduled shortly. It is anticipated that a formal presentation will be made by Wolff Olins on the project to identify language and symbols for the Fine Arts Museums of San Francisco, the New de Young Museum, and the California Palace of the Legion of Honor at the June 2002 meeting of the Board of Trustees.

VII. Report of the Annual Support Committee – Shelagh Rohlen, Chair and Vice President

Chair Rohlen reported that Mr. Parker presented a State of the Museums report at a Legion of Honor luncheon on February 25, 2002. This luncheon was held in an effort to increase Museum membership and giving at every level of participation. Of the seventy-five attendees, fifty-five were prospective new members. Another cultivation event is planned for June 2002 in conjunction with the *Michael Sweerts* exhibition. At the April 11, 2002 meeting of the Board of Trustees, Trustees will be asked to identify potential major donors. New prospect forms were circulated to the Executive Committee. Chair Rohlen concluded her remarks by noting that Pierre de Meuron will be the featured speaker at the Annual Donor Luncheon on May 16, 2002.

VIII. Report of The Fine Arts Museums Foundation – Richard W. Goss II, President

A. Consideration and Possible Action to Revise the Liquid Asset Investment Guidelines as Recommended by Wells Fargo

President Goss presented the appended, revised Liquid Asset Investment Guidelines as recommended by Wells Fargo. Trustee Jamieson suggested that corporate notes and certificates of deposit be deleted from the list of allowable instruments. It was explained that Wells Fargo only invests cash in these categories at times when returns are high.

On motion, duly seconded, there was no further discussion among Trustees. The Executive Committee voted unanimously to approve the revisions to the Liquid Asset Investment Guidelines as recommended by Wells Fargo.

B. Report on the Revision of the Bylaws of The Fine Arts Museums Foundation

At its meeting on March 12, 2002, the Board of Trustees of The Fine Arts Museums Foundation approved revisions to its Bylaws, which deleted references to the Executive Director (Harry S. Parker III) and Treasurer (Steve Dykes) in order to avoid any possible conflict of interest in the future because Mr. Parker and Mr. Dykes are also City officials. Both Mr. Parker and Mr. Dykes have submitted letters resigning from their Foundation positions.

C. Report on the New de Young Financing Plan and Draft Lease and Facilities Agreement Between the Fine Arts Museums of San Francisco and The Fine Arts Museums Foundation

President Goss reported that the Board of Trustees of The Fine Arts Museums Foundation approved the Draft Lease and Facilities Agreement between the Fine Arts Museums of San Francisco and The Fine Arts Museums Foundation at its meeting on March 12, 2002. The Board also received a status report on the New de Young Financing Plan at this meeting.

D. Report on the Repayment of the Loan to the Osher Sculpture Garden Fund

In addition, the Foundation Board of Trustees on March 12, 2002 approved the repayment of the loan to the Osher Sculpture Garden Fund in the amount of $3,257,759.45, which represents the original loan of $2 million to install the old de Young Museum seismic bracing plus interest. Unrestricted endowment funds were used to repay the Osher Sculpture Garden Fund.

E. Report on the Endowment Portfolio

President Goss advised that at the close of business on March 8, 2002, the endowment portfolio was valued at $76,083,169. It was invested 67.11% in equities, 5.31% in alternative investments, and 27.58% in fixed income.

IX. Adjournment – Diane B. Wilsey, President

There being no further business, the meeting adjourned at 2:30 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Executive Committee on matters stated, but not necessarily in the order in which the matters were considered.

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SUMMARY OF FINANCIAL CONDITION COVENANT
(March 14, 2002)

This covenant is made up of two critical elements:

(1) the promise of COFAM and the Foundation to coordinate the construction of the Project and their fund-raising efforts for the Project so as to maintain in the two de Young Project Funds a balance roughly equal to the expected pledges to build the new de Young Museum, discounted by 10-15%; and

(2) the consequences (in two stages) of not maintaining that required balance.

DETAILS OF THE COVENANT

- *When the Minimum Balance is Tested.* The amount of the Minimum Balance shall be determined as of the last day of each Fiscal Year, by reference to an agreed upon schedule of Minimum Balances attached to the Loan Agreement. There is a built-in lag time of 180 days, as the test must be based on audited financial statements.
- *How the Minimum Balance is communicated to the Bond Insurer.* The Treasurer of the Corporation shall, within 180 days of the end of each Fiscal Year, certify to the Trustee and the Bond Insurer the amounts contained in the Minimum Balance Funds, as of the end of the immediately prior Fiscal Year, based upon the combined audited financial statements for COFAM and the Foundation for such Fiscal Year.
- *Cure Period.* COFAM and the Foundation have a full Fiscal Year to bring the balances on hand in the New de Young Funds up to the Minimum Balance.

NON-COMPLIANCE; DETAILS OF THE CONSEQUENCES

Non-Compliance; Deposit to Reserve Fund. If COFAM and the Foundation have not brought the aggregate balance in the New de Young Funds up to the Minimum Balance by the end of a full Fiscal Year after the time the lower balance first occurs, COFAM and the Foundation shall deposit with the Trustee, within 210 days after the end of the Fiscal Year in which the Minimum Balance Covenant Default occurs, for deposit to the Reserve Fund held by the Trustee, an amount equal to the difference between the Minimum Balance, as of the date of calculation, and the amounts actually shown to be on hand in the Minimum Balance Funds (the "Minimum Balance Shortfall") (best case) or an amount equal to 20% of the principal amount of the Bonds (worst case).

Benefit of Interest Earnings. COFAM and the Foundation will receive the benefit of the interest earnings on funds in the Reserve Fund, but will not be able to retain any positive arbitrage.

Release of funds from the Reserve Fund. An amount equal to the Minimum Balance Shortfall shall remain on deposit in the Reserve Fund unless and until COFAM and the Foundation have brought the amounts on hand in the Minimum Balance Funds to the Minimum Balance for two (2) consecutive Fiscal Years (unless a quicker release can be negotiated with the Bond Insurer), whereupon all amounts on deposit in the Reserve Fund in excess of the Minimum Balance Shortfall shall be released to COFAM and the Foundation.

Second Stage of Consequences -Amortization. If COFAM and the Foundation are unable to restore the balance in the New de Young Funds within one year of making the Reserve Fund Deposit, COFAM and the Foundation will be required to commence amortization of the Bonds, based upon a schedule to be prepared at that time, using a proxy for the variable interest rate on the Bonds, and seeking to achieve approximately level debt service. Amortization will cease if the Minimum Balance is restored.

Use of Subordinate Borrowings to Satisfy Minimum Balance Covenant. The Minimum Balance Covenant may be satisfied by depositing into the New de Young Funds proceeds of any borrowing under which either or both of COFAM and the Foundation are the borrower, including the proceeds of a secured or unsecured line of credit, so long as (1) the Bond Insurer consents, and 2) such borrowing is unsecured, is subordinated to the obligation of COFAM and the Foundation to pay Loan Payments, and so long as the terms of such borrowing prohibit the repayment of said borrowing until COFAM and the Foundation comply with Minimum Balance Covenant at the end of a Fiscal Year without including the proceeds of such borrowing as a credit to the Minimum Balance Funds.

Summary of Changes to Investment Guidelines

Objectives
Preservation of Capital
High degree of Liquidity
Maximum Taxable Return

Allowable Instruments
U.S. Treasury securities
Federal Agency securities
Repurchase Agreements
Commercial Paper
Master Notes
Money Market Sweep Vehicle
Corporate Notes
Certificates of Deposit

Maturity Parameters
Maximum allowable maturity for any individual issue: 2 years
Maximum average maturity for portfolio: 1 year

Diversification
A maximum of 10% (changed from 15%) of the portfolio will be invested in any single issue. U.S. Treasury and Agency (added) securities will be exempt from this restriction. A maximum of 25% of the portfolio will be invested in any single Government Sponsored Enterprise or Federal Agency security. (added)

Credit Quality
Minimum short term rating: A1/P1
Minimum long term rating: A or better

Benchmark
Merrill Lynch 3-month T-Bill (added)

Investment Guidelines

Corporation of Fine Arts Museums
358-111947 and 358-128540

Objectives

Preservation of Capital
High degree of Liquidity
Maximum Taxable Return

Allowable Instruments

U.S. Treasury securities
Federal Agency securities
Repurchase Agreements
Commercial Paper
Master Notes
Money Market Sweep Vehicle
Corporate Notes
Certificates of Deposit

Maturity Parameters

Maximum allowable maturity for any individual issue: 2 years
Maximum average maturity for portfolio: 1 year

Diversification

A maximum of 10% of the portfolio will be invested in any single issue. U.S. Treasury and Agency securities will be exempt from this restriction. A maximum of 25% of the portfolio will be invested in any single Government Sponsored Enterprise or Federal Agency security.

Credit Quality

Minimum short term rating: A1/P1
Minimum long term rating: A or better

Benchmark

Merrill Lynch 3-month T-Bill

Approved by:________________________________ Date:_________________________

CORPORATION OF THE FINE ARTS MUSEUMS

M.H. DE YOUNG MEMORIAL MUSEUM ✱ CALIFORNIA PALACE OF THE LEGION OF HONOR

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/02

NOTICE OF MEETING

Corporation of The Fine Arts Museums
Executive Committee of the Board of Trustees

Thursday, May 9, 2002
1:30 p.m.

233 Post Street, 6th Floor Conference Room
San Francisco, CA

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AGENDA

ORDER OF BUSINESS

I. **Calling of the Meeting to Order and and Invitation to Members of the Public to Attend and Participate in Discussions Relating to the New de Young Financing Plan and the Issuance of Tax-Exempt Bonds by the ABAG Finance Authority for NonProfit Corporations (Agenda Item III., A. and B.) – Diane B. Wilsey, President**

II. **Calling of the Roll**

Trustees:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Richard P. Essey
Richard W. Goss II
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion T. McEvoy
J. Alec Merriam, Vice President
Robert P. Morrow III
Marianne H. Peterson
Steven MacGregor Read
Shelagh Rohlen, Vice President/Annual Support
Randolph R. Scott

Paul Violich, Vice President/Finance
Lonna Wais
Diane B. Wilsey, President

Non-Voting Officers:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Executive Secretary

III. Report of the President – Diane B. Wilsey

A. Report on the New de Young Museum Financing Plan (Materials To Be Distributed at Meeting)

Invited for Discussion:

Monique Moyer, Director, Mayor's Office of Public Finance
Richard W. Chisholm, Managing Director, Municipal Securities, Banc of America
Nicolai J. Sklaroff, Vice President, Public Finance Department, SalomonSmithBarney
William H. Madison, Jones Hall (Bond Counsel)
Adam Sachs, Folger Levin & Kahn LLP (501(c)(3) Counsel)
Sean Tierney, Hawkins, Delafield & Wood (Underwriters Counsel)
Adine Varah, Deputy City Attorney

B. Consideration and Possible Action to Adopt a Resolution Approving the New de Young Financing Plan to Borrow the Proceeds of Tax-Exempt Bonds to be Issued by the ABAG Finance Authority for NonProfit Corporations **Approval__**

WHEREAS, The highest institutional priority of the Corporation of The Fine Arts Museums ("COFAM") is to build a new facility to house the M.H. de Young Memorial Museum (the "New de Young Museum") in Golden Gate Park; and

WHEREAS, Efforts to secure public funding for a New de Young Museum were unsuccessful with proposed City and County of San Francisco general obligation bond measures failing to receive the 66.7% affirmative votes for passage in 1996 (62.6% yes votes) and 1998 (64.3% yes votes); and

WHEREAS, At the request of the Board of Trustees of the Fine Arts Museums of San Francisco ("FAMSF"), the Capital Campaign for a New de Young Museum was initiated by COFAM with a fund-raising goal of $165 million, of which over $154 million has been raised to date; and

WHEREAS, The Capital Campaign schedule of pledges extends over a five year period, and the construction schedule for the New de Young Museum will require immediate payments before the pledges are received; and

WHEREAS, The Board of Trustees of FAMSF on January 31, 2002 approved the sale and issuance of tax-exempt bonds by the appropriate state financing authority and supported the decision of COFAM and The Fine Arts Museums Foundation (the "Foundation") to borrow the proceeds of such bonds, and approved a Lease and Facilities Agreement (the "Facilities Agreement") with the Foundation for the use and operation of the New de Young Museum; and

WHEREAS, At its meeting on January 31, 2002, the Board of Trustees of COFAM approved a financing plan for the New de Young Museum (the "New de Young Financing Plan") involving the sale and issuance of tax-exempt bonds by the ABAG Finance Authority for NonProfit Corporations (the "Authority"), authorized the Borrower Documents (as defined below) and made the approval of the principal terms of the documents involving a municipal bond insurer subject to the approval of the Executive Committee of the Board of Trustees of COFAM (the "Executive Committee"); and

WHEREAS, At its meeting on March 12, 2002, the Board of Trustees of the Foundation approved the New de Young Financing Plan, and the Facilities Agreement with FAMSF for the use and operation of the New de Young Museum;

WHEREAS, Article IV, Section 12(c)(2) of the Bylaws of COFAM provide that the Executive Committee shall have all the powers of the Board of Trustees of COFAM during the interval between meetings of the Board of Trustees of COFAM, except as otherwise provided in the Bylaws of COFAM; now, therefore, be it

RESOLVED, That to meet the cash flow requirements for the construction of the New de Young Museum, the Executive Committee does hereby reaffirm the New de Young Financing Plan; approve the application by COFAM, jointly with the Foundation, to the Authority to enter into an Indenture of Trust (the "Indenture") with Wells Fargo Bank, National Association as Trustee (the "Trustee"), whereby the Authority will execute and deliver pursuant to the Indenture the Authority's Auction Rate Revenue Bonds (New de Young Museum Project), Series 2002A (the "Series 2002A Bonds") and the Authority's Variable Rate Demand Revenue Bonds (New de Young Museum Project), Series 2002B (the "Series 2002B Bonds" and, collectively with the Series 2002A Bonds, the "Bonds"), the principal amount of the Bonds not to exceed $143,000,000.00; and authorizes COFAM to borrow, jointly with the Foundation, the proceeds of the Bonds pursuant to a Loan Agreement among COFAM, the Foundation and the Authority (such agreement, with such revisions as are approved by the President of the Board of Trustees and Chief Executive Officer of COFAM (the "Authorized Representatives," as set forth below), is referred to as the "Loan Agreement"), with the Loan Payments to be made under the Loan Agreement constituting joint and several general obligations of COFAM and the Foundation; and, be it

FURTHER RESOLVED, That COFAM is authorized to accept, approve, enter into, execute and deliver (as applicable) and perform its obligations under such contracts and other documents as are required for the issuance of the Bonds jointly with the Foundation, with such revisions as are approved by the Authorized Representatives, including: the Loan Agreement; A Continuing Disclosure Agreement under which COFAM and the Foundation will agree to provide Annual Reports and report significant events, as required by federal securities law; the preliminary and final Official Statement used in the marketing of the Bonds; Commitment to Issue a Financial Guaranty Insurance Policy of MBIA Insurance Company ("MBIA") for the Series 2002A Bonds and the Series 2002B Bonds and a related Reimbursement Agreement among COFAM, the Foundation and MBIA; a Bond Purchase Agreement among COFAM, the Foundation and Salomon Smith Barney ("SSB") for the Series 2002A Bonds (so long as the terms of such Bond Purchase Agreement are consistent with the proposal of SSB to underwrite the Series 2002A Bonds); a Bond Purchase Agreement among COFAM, the Foundation and Banc of America Securities LLC ("Banc America") for the Series 2002B Bonds (so long as the terms of such Bond Purchase Agreement are consistent with the proposal of Banc America to underwrite the Series 2002B Bonds), a Remarketing Agreement among COFAM, the Foundation and Banc America for the remarketing of the Series 2002B Bonds; a Standby Bond Purchase Agreement for the Series 2002B Bonds among COFAM, the Foundation and Bank of America, N.A. ("B of A"); an acknowledgement with respect to a Tender Agreement for the Series 2002B Bonds between the Trustee and B of A; a letter agreement among COFAM, the Foundation and B of A with respect to the payment of certain fees and the reimbursement of certain expenses; and such other documents as are necessary to accomplish the tax-exempt issuance of the Bonds under California and federal law (all such agreements and documents are referred to as the "Borrower Documents"); and, be it

FURTHER RESOLVED, That the Authorized Representatives are hereby authorized to execute on behalf of COFAM the Borrower Documents and, as applicable, to agree to modifications of such documents from their current terms (on file in the COFAM Administrative Offices).

C. Other Informational Items

IV. Director's Report - Harry S. Parker III

A. Report on the COFAM Operating Budget

B. Consideration and Possible Action to Adopt a Resolution Designating the Initial and Future Distributions from the Estate of Kathryn H. Dodd to the New de Young Fund of The Fine Arts Museums Foundation — Approval__

WHEREAS, The building of a New de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums; and

WHEREAS, On June 19, 2001, John A. Mangini, attorney representing the Estate of Kathryn H. Dodd, informed the Museums that Kathryn H. Dodd had named the Museum Society as one of five beneficiaries to receive one-fifth of the residue of her estate; and

WHEREAS, On April 3, 2002, initial distributions in the amount of $10,000 and $21,661.35 were received from the Estate; and

WHEREAS, Additional distributions from the Estate of Kathryn H. Dodd will be received in the future; and

WHEREAS, Funds received by The Museum Society, a former membership support organization of the Fine Arts Museums of San Francisco (FAMSF) and the Asian Art Museum (AAM), are to be distributed two-thirds to FAMSF and one-third to the AAM in accordance with Museum Society policy; and

WHEREAS, The Museum Society dissolved in 1996, and the Corporation of The Fine Arts Museums (COFAM) became the successor organization for The Museum Society (FAMSF Component); and

WHEREAS, In a letter dated April 26, 2002, Elizabeth A. Adler, Executor of the Estate of Kathryn H. Dodd, requested that in keeping with the preference of Kathryn H. Dodd all distributions from the Estate be designated for the use of the San Francisco Fine Arts Museums; and

WHEREAS, The Chief Executive Officer has recommended, with the concurrence of the Executor Elizabeth A. Adler, that the initial and future distributions from the Estate of Kathryn H. Dodd be designated for the New de Young Fund of The Fine Arts Museums Foundation; now, therefore, be it

RESOLVED, That the COFAM Executive Committee of the Board of Trustees does hereby designate the initial and future distributions from the

Estate of Kathryn H. Dodd to the New de Young Fund of The Fine Arts Museums Foundation; and be it

FURTHER RESOLVED, That the COFAM Executive Committee of the Board of Trustees recognizes the extraordinary generosity of Kathryn H. Dodd with profound appreciation.

C. Other Informational Items

V. **Report of the Joint Meeting of the Civic Affairs and Audience Development Committee and the Marketing and Communications Committee – Belva Davis, Vice President of Civic Affairs and Audience Development, and Diane B. Lloyd-Butler, Vice President of Marketing and Communications**

A. Report on the Wolff Olins Project to Develop Identify Language and Symbols for the Fine Arts Museums of San Francisco, the California Palace of the Legion of Honor, and the M. H. de Young Memorial Museum

VI. **Report of The Fine Arts Museums Foundation – Richard W. Goss II, President**

VII. **Adjournment – Diane B. Wilsey, President**

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CORPORATION OF THE FINE ARTS MUSEUMS

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Executive Committee
Board of Trustees

May 9, 2002

I. Calling of the Meeting to Order and Invitation to Members of the Public to Attend and Participate in Discussions Relating to the New de Young Financing Plan and the Issuance of Tax-Exempt Bonds by the ABAG Finance Authority for NonProfit Corporations (Agenda Item III., C.) - Diane B. Wilsey, President

A meeting of the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, May 9, 2002, in the 6th Floor Conference Room of the Administrative Offices at 233 Post Street, San Francisco. A quorum being present, the meeting was called to order at 1:45 p.m. by Diane B. Wilsey, President, who invited members of the public to attend and participate in discussions relating to the New de Young Financing Plan and the issuance of tax-exempt bonds by the ABAG Finance Authority for NonProfit Corporations.[1]

President Wilsey welcomed Trustee Randolph R. Scott, newly elected member of the Executive Committee.

President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

Present:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Richard P. Essey
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion McEvoy
Robert P. Morrow III (via conference call)
Marianne H. Peterson
Steven MacGregor Read
Shelagh Rohlen, Vice President/Annual Support
Randolph R. Scott
Paul Violich, Vice President/Finance
Lonna Wais
Diane B. Wilsey, President

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[1] No members of the public were in attendance.

Excused:

Richard W. Goss II
George Hecksher
J. Alec Merriam

Non-voting Officers Present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Secretary

III. Report of the President – Diane B. Wilsey

A. Report on the New de Young Museum Financing Plan

In order to meet the cash flow requirements for the construction of the New de Young Museum, the Board of Trustees of the Fine Arts Museums of San Francisco at its January 31, 2002 meeting approved the New de Young Financing Plan and supported the decision of the Corporation of The Fine Arts Museums (COFAM) and The Fine Arts Museums Foundation (Foundation) to borrow the proceeds of the issuance of the tax-exempt bonds to be issued by the ABAG Finance Authority for NonProfit Corporations. President Wilsey introduced Monique Moyer, Director, Mayor's Office of Public Finance, who assisted in structuring the most cost efficient financing for the New de Young Museum. Ms. Moyer, in turn introduced the following members of the New de Young Financing Team:

Nikolai J. Sklaroff, Vice President, Public Finance Department,
SalomonSmithBarney
Richard W. Chisholm, Managing Director, Municipal Securities,
Banc of America
William H. Madison, Jones Hall (Bond Counsel)
Adam Sachs, Folger Levin & Kahn LLP (501(c)(3) Counsel)
John Wang for Sean Tierney, Hawkins, Delafield & Wood (Underwriters Counsel)
Adine Varah, Deputy City Attorney.

It was noted that President Wilsey, Harry S. Parker III, Chief Executive Officer, and Steve Dykes, Treasurer, also participate as members of the New de Young Financing Team.

Ms. Moyer and other members of the New de Young Financing Team reported on developments since the March 14, 2002 Executive Committee meeting. Ms. Moyer began by advising that the preliminary A- category ranking for the bonds by the rating agencies allowed the Museums to obtain a favorable premium for bond insurance through MBIA. The bond insurance guarantees payment of the principal and interest to the investors. The three rating agencies are Moody's, Standard & Poor's and Fitch.

The bonds will be issued by the Association of Bay Area Governments (ABAG) Finance Authority for NonProfit Corporations, an entity formed by the nine Bay Area counties with a membership of other cities and counties throughout the State of California. ABAG requires a loan agreement with the co-borrowers, the Foundation and COFAM, which essentially stipulates the terms by which the debt will be repaid. The loan agreement also sets forth the co-borrowers' representations and warranties on behalf of the investors. At the request of Ms. Moyer, William H. Madison, Jones Hall (bond counsel), addressed the financial condition covenant associated with the loan agreement. He began by explaining that the bonds are issued under an Indenture of Trust document between the Trustee and ABAG, which states how and when the Trustee will pay the bondholders. Other provisions state the direction of COFAM and the Foundation on interest rate mechanisms, however, neither COFAM nor the Foundation are parties to the Indenture of Trust. The loan agreement is the key document executed by COFAM, the Foundation, and ABAG, which memorializes the borrowing and repayment provisions for COFAM and the Foundation. The loan agreement is critical to the financial aspect of the transaction from the insurer's perspective. One of the provisions covers the amortization of the bonds, or the repayment of the principal, which is deferred for some time permitting the earning of legal arbitrage during that period. Mr. Madison proceeded to review the appended Summary of Financial Condition Covenant (attached as Appendix A) required by MBIA in detail. It was noted out that the Foundation donor-restricted endowment principal and other restricted funds are not pledged to meet bond obligations.

Ms. Moyer reported that the bond documents allow for five or six modes of short term debt (daily, weekly, monthly, semi-annual interest rates, or a fixed interest rate over a period of time). The seven day interest market is preferred in two separate modes, Variable Rate Demand Notes (underwritten by Banc of America Securities) and Auction Rate Securities (underwritten by SalomonSmithBarney). Both modes set rates every seven days. The Variable Rate Demand Notes are usually purchased by institutional investors such as tax-exempt money market funds. The Variable Rate Demand Notes require a liquidity provider in case investors want to return the bonds to the remarketing agent, and the remarketing agent is unable to identify a new investor. The Bank of America will serve as the liquidity provider.

The following handouts, appended for the record, were distributed and discussed in detail by Ms. Moyer:

1) New de Young Museum Project, Summary of Cash Flow Evolution (attached as Appendix B)

Ms. Moyer particularly noted the changes since the January 31, 2002 Board meeting: a) an increase in project costs to $202 million, which includes capitalized expenses (the hard and soft construction costs of $185 million have not changed); b) the par amount of the tax-exempt bonds increased to $143 million from $128 million; c) a decrease in the amount of unrestricted pledge funds (from $47.8 million to $25.5 million) contributed to construction costs; and d) an annual operating subsidy of $435,000.

2) ABAG Finance Authority for NonProfit Organizations, Summary of Results Using a 5% Fixed Rate GIC Scenario as the Base Case, May 7, 2002 (Interest Rate Sensitivity Analyses – Attached as Appendix C)

It was understood that interest rates require careful monitoring. Corrective action may be necessary if interest rates perform worse than expected, or pledges are not received as anticipated.

3) History of BMA (Bond Market Association) Rates (Attached as Appendix D)

The average BMA rate for 10 years (1989-1998) was 3.88%. An interest rate cap of 3.88% has been used in calculating interest rates for the first five years. Thereafter, a guaranteed investment contract would be purchased to guarantee the earnings rate on the pledge funds. It is anticipated that this rate may be 5%.

Richard W. Chisholm, Managing Director, Municipal Securities, Banc of America; reviewed a Bank of America Economic Research Report and various interest rate charts, which support the view that an increase in interest rates between now and August is unlikely, and that an increase later this fall is possible.

4) ABAG Finance Authority for Nonprofit Corporations, Revenue Bonds, Series 2002A & 2002B, (New de Young Museum Project), Estimated Costs of Issuance Payable at Closing (Attached as Appendix E)

The estimated costs of the issuance of the tax-exempt bonds at closing is $4.7 million.

5) ABAG Finance Authority for NonProfit Corporations, Revenue Bonds, Series 2002A & 2002B, (New de Young Museum Project), Estimated Annual Transaction Costs (Attached as Appendix F)

The estimated annual transaction costs total $717,611.

Ms. Moyer reported that the Board of Supervisors of the City and County was required by law to adopt a TEFRA (Tax Equity and Fiscal Responsibility Act) resolution following a public hearing held on December 17, 2001 by the Director of Public Finance. At its meeting on April 22, 2002, the Board of Supervisors adopted the TEFRA resolution, which was signed by the Mayor last week. On July 30, 2002, Judge A. James Robertson II is scheduled to hear the California Environmental Quality Act (CEQA) petition filed by the People for a New de Young (Case No. CP F02-500598), which challenges the adequacy of the Environmental Impact Report for the New de Young Project. Judge Robertson has 90 days to rule.

The revised financing schedule was reviewed. It was noted that the ABAG Authority hearing on the tax-exempt bonds for the New de Young Museum Project will occur the last week in May. It is anticipated that the Preliminary Official Statement (bond prospectus) will be issued the last day of May with the bonds entering the marketplace on June 11, 2002 and the sale of the bonds occurring on June 12, 2002.[2] Immediately following the sale of the bonds, $143 million less closing fees will be issued to the Foundation and COFAM. The first monthly debt payment will be due on July 1, 2002.

In closing, Ms. Moyer advised that in adopting the subsequent resolution, the Executive Committee will approve the transaction in its substantially final form, delegating the authority to close the transaction to the President and Chief Executive Officer. Mr. Parker acknowledged that approval of the following resolution is significant and historic for the private sector. COFAM and the Foundation will accept full responsibility, risk and the fund-raising obligation associated with the $202 million New de Young Museum Project on behalf of the City of San Francisco. He recalled that immediately following the loss of the second, proposed City and County of San Francisco general obligation bond measure in 1998, Mayor Willie L. Brown, Jr., offered the assistance of Monique Moyer to help structure the most cost efficient financing for the New de Young Museum. He extended heartfelt appreciation to Ms. Moyer, and the Executive Committee recognized her leadership efforts with a round of applause.

B. Consideration and Possible Action to Adopt a Resolution Approving the New de Young Financing Plan to Borrow the Proceeds of Tax-Exempt Bonds to be Issued by the ABAG Finance Authority for NonProfit Corporations

President Wilsey presented the following resolution:

WHEREAS, The highest institutional priority of the Corporation of The Fine Arts Museums ("COFAM") is to build a new facility to house the M.H. de Young Memorial Museum (the "New de Young Museum") in Golden Gate Park; and

WHEREAS, Efforts to secure public funding for a New de Young Museum were unsuccessful with proposed City and County of San Francisco general obligation bond measures failing to receive the 66.7% affirmative votes for passage in 1996 (62.6% yes votes) and 1998 (64.3% yes votes); and

WHEREAS, At the request of the Board of Trustees of the Fine Arts Museums of San Francisco ("FAMSF"), the Capital Campaign for a New de Young Museum was initiated by COFAM with a fund-raising goal of $165 million, of which over $154 million has been raised to date; and

WHEREAS, The Capital Campaign schedule of pledges extends over a five year period, and the construction schedule for the New de Young Museum will require immediate payments before the pledges are received; and

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[2] Following the meeting, these dates changed to later in June 2002.

WHEREAS, The Board of Trustees of FAMSF on January 31, 2002 approved the sale and issuance of tax-exempt bonds by the appropriate state financing authority and supported the decision of COFAM and The Fine Arts Museums Foundation (the "Foundation") to borrow the proceeds of such bonds, and approved a Lease and Facilities Agreement (the "Facilities Agreement") with the Foundation for the use and operation of the New de Young Museum; and

WHEREAS, At its meeting on January 31, 2002, the Board of Trustees of COFAM approved a financing plan for the New de Young Museum (the "New de Young Financing Plan") involving the sale and issuance of tax-exempt bonds by the ABAG Finance Authority for NonProfit Corporations (the "Authority"), authorized the Borrower Documents (as defined below) and made the approval of the principal terms of the documents involving a municipal bond insurer subject to the approval of the Executive Committee of the Board of Trustees of COFAM (the "Executive Committee"); and

WHEREAS, At its meeting on March 12, 2002, the Board of Trustees of the Foundation approved the New de Young Financing Plan, and the Facilities Agreement with FAMSF for the use and operation of the New de Young Museum;

WHEREAS, Article IV, Section 12(c)(2) of the Bylaws of COFAM provide that the Executive Committee shall have all the powers of the Board of Trustees of COFAM during the interval between meetings of the Board of Trustees of COFAM, except as otherwise provided in the Bylaws of COFAM; now, therefore, be it

RESOLVED, That to meet the cash flow requirements for the construction of the New de Young Museum, the Executive Committee does hereby reaffirm the New de Young Financing Plan; approve the application by COFAM, jointly with the Foundation, to the Authority to enter into an Indenture of Trust (the "Indenture") with Wells Fargo Bank, National Association as Trustee (the "Trustee"), whereby the Authority will execute and deliver pursuant to the Indenture the Authority's Auction Rate Revenue Bonds (New de Young Museum Project), Series 2002A (the "Series 2002A Bonds") and the Authority's Variable Rate Demand Revenue Bonds (New de Young Museum Project), Series 2002B (the "Series 2002B Bonds" and, collectively with the Series 2002A Bonds, the "Bonds"), the principal amount of the Bonds not to exceed $143,000,000.00; and authorizes COFAM to borrow, jointly with the Foundation, the proceeds of the Bonds pursuant to a Loan Agreement among COFAM, the Foundation and the Authority (such agreement, with such revisions as are approved by the President of the Board of Trustees and Chief Executive Officer of COFAM (the "Authorized Representatives," as set forth below), is referred to as the "Loan Agreement"), with the Loan Payments to be made under the Loan Agreement constituting joint and several general obligations of COFAM and the Foundation; and, be it

FURTHER RESOLVED, That COFAM is authorized to accept, approve, enter into, execute and deliver (as applicable) and perform its obligations under such contracts and other documents as are required for the issuance of the Bonds jointly with the Foundation, with such revisions as are approved by the Authorized Representatives, including: the Loan Agreement; A Continuing Disclosure Agreement under which

COFAM and the Foundation will agree to provide Annual Reports and report significant events, as required by federal securities law; the preliminary and final Official Statement used in the marketing of the Bonds; Commitment to Issue a Financial Guaranty Insurance Policy of MBIA Insurance Company ("MBIA") for the Series 2002A Bonds and the Series 2002B Bonds and a related Reimbursement Agreement among COFAM, the Foundation and MBIA; a Bond Purchase Agreement among COFAM, the Foundation and Salomon Smith Barney ("SSB") for the Series 2002A Bonds (so long as the terms of such Bond Purchase Agreement are consistent with the proposal of SSB to underwrite the Series 2002A Bonds); a Bond Purchase Agreement among COFAM, the Foundation and Banc of America Securities LLC ("Banc America") for the Series 2002B Bonds (so long as the terms of such Bond Purchase Agreement are consistent with the proposal of Banc America to underwrite the Series 2002B Bonds), a Remarketing Agreement among COFAM, the Foundation and Banc America for the remarketing of the Series 2002B Bonds; a Standby Bond Purchase Agreement for the Series 2002B Bonds among COFAM, the Foundation and Bank of America, N.A. ("B of A"); an acknowledgement with respect to a Tender Agreement for the Series 2002B Bonds between the Trustee and B of A; a letter agreement among COFAM, the Foundation and B of A with respect to the payment of certain fees and the reimbursement of certain expenses; and such other documents as are necessary to accomplish the tax-exempt issuance of the Bonds under California and federal law (all such agreements and documents are referred to as the "Borrower Documents"); and, be it

FURTHER RESOLVED, That the Authorized Representatives are hereby authorized to execute on behalf of COFAM the Borrower Documents and, as applicable, to agree to modifications of such documents from their current terms (on file in the COFAM Administrative Offices).

On motion, duly seconded, there was no further discussion among Trustees. There was no public testimony. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 312.** The Executive Committee offered congratulations to Mr. Parker in executing this major transaction to finance the building of the New de Young Museum in Golden Gate Park, and expressed its gratitude to the New de Young Financing Team with a round of applause.

IV. Director's Report - Harry S. Parker III

A. Report of the COFAM Operating Budget

The Budget Committee is reviewing the COFAM Operating Budget for Fiscal Year 2002-03 for presentation at the June 13th Board meeting.

B. Consideration and Possible Action to Adopt a Resolution Designating the Initial and Future Distributions from the Estate of Kathryn H. Dodd to the New de Young Fund of The Fine Arts Museums Foundation

Mr. Parker advised that Kathryn H. Dodd had named The Museum Society as a beneficiary to receive one-fifth of the residue of her estate. The Museum Society was a membership support organization of the Fine Arts Museums of San Francisco (FAMSF) and the Asian Art Museum (AAM), which was dissolved in 1996. It has been the practice in the past that funds received by The Museum Society have been distributed two-thirds to FAMSF and one-third to the AAM. However, in a letter dated April 26, 2002, Elizabeth A. Adler, Executor of the Estate of Kathryn H. Dodd, requested that in keeping with the preference of Kathryn H. Dodd all distributions from the estate be designated for the use of the San Francisco Fine Arts Museums.

The subsequent resolution was introduced by Mr. Parker:

WHEREAS, The building of a New de Young Museum in Golden Gate Park is the highest institutional priority for the Board of Trustees of the Corporation of The Fine Arts Museums; and

WHEREAS, On June 19, 2001, John A. Mangini, attorney representing the Estate of Kathryn H. Dodd, informed the Museums that Kathryn H. Dodd had named the Museum Society as one of five beneficiaries to receive one-fifth of the residue of her estate; and

WHEREAS, On April 3, 2002, initial distributions in the amount of $10,000 and $21,661.35 were received from the Estate; and

WHEREAS, Additional distributions from the Estate of Kathryn H. Dodd will be received in the future; and

WHEREAS, Funds received by The Museum Society, a former membership support organization of the Fine Arts Museums of San Francisco (FAMSF) and the Asian Art Museum (AAM), are to be distributed two-thirds to FAMSF and one-third to the AAM in accordance with Museum Society policy; and

WHEREAS, The Museum Society dissolved in 1996, and the Corporation of The Fine Arts Museums (COFAM) became the successor organization for The Museum Society (FAMSF Component); and

WHEREAS, In a letter dated April 26, 2002, Elizabeth A. Adler, Executor of the Estate of Kathryn H. Dodd, requested that in keeping with the preference of Kathryn H. Dodd all distributions from the Estate be designated for the use of the San Francisco Fine Arts Museums; and

WHEREAS, The Chief Executive Officer has recommended, with the concurrence of the Executor Elizabeth A. Adler, that the initial and future distributions from the Estate of Kathryn H. Dodd be designated for the New de Young Fund of The Fine Arts Museums Foundation; now, therefore, be it

RESOLVED, That the COFAM Executive Committee of the Board of Trustees does hereby designate the initial and future distributions from the Estate of Kathryn H. Dodd to the New de Young Fund of The Fine Arts Museums Foundation; and, be it

FURTHER RESOLVED, That the COFAM Executive Committee of the Board of Trustees recognizes the extraordinary generosity of Kathryn H. Dodd with profound appreciation.

On motion, duly seconded, there was no further discussion among Trustees. There was no public testimony. The Executive Committee voted unanimously to adopt the above resolution as **Board Resolution 313.**

V. Report of the Joint Meeting of the Civic Affairs and Audience Development Committee and the Marketing and Communications Committee – Belva Davis, Vice President of Civic Affairs and Audience Development, and Diane B. Lloyd-Butler, Vice President of Marketing and Communications

A. Report on the Wolff Olins Project to Develop Identity Language and Symbols for the Fine Arts Museums of San Francisco, the California Palace of the Legion of Honor, and the New de Young Museum

Approximately one year ago, Wolff Olins was retained to articulate the brand for the Fine Arts Museums, Legion of Honor, and the New de Young Museum. The branding effort will clarify the public's notion of the identity, personality and character of the Museums, particularly the New de Young, through the use of a variety of symbols, trademarks, and logos. The Civic Affairs and Audience Development Committee and the Marketing and Communications Committee have worked closely with the branding consultants. Interviews with Trustees serving on these two committees, community leaders and staff were conducted during the research phase of the project. At the October 18, 2001 meeting of the Board of Trustees, Wolff Olins reviewed the research phase and presented their preliminary findings.

At a joint meeting of the two Committees on May 8, 2002, Wolff Olins presented their branding recommendations, which were enthusiastically received. Trustee Belva Davis, Chair and Vice President of Civic Affairs and Audience Development, introduced Suzie Ivelich, Patrick Cox and Frank Mueller of Wolff Olins. Ms. Ivelich began by noting that the branding process included discussions with over 100 individuals in either focus groups or in one-on-one interviews regarding their perceptions and sense of the Museums. The individuals interviewed ranged from those close to the organization to tourists and the community-at-large. Branding program recommendations resulted, which strive to express the essence of the Museums. A brand communicates a prior experience and/or promises a future experience. It links the past with people today in a relevant, inviting and energetic way.

The following highlights the presentation made by Ms. Ivelich and Mr. Cox:

- The basic elements under consideration were the art, the Museums, and the City of San Francisco.

- The art is high quality, representing diverse cultures, forms and periods.

- The de Young and Legion are housed in landmark buildings situated in parks known and celebrated for their natural beauty.

- San Francisco is an international city, recognized for its history, beauty, diversity, and acceptance of alternative lifestyles.

- A concept of connection evolved with a goal of connecting everyone who lives in or visits San Francisco with the art, geography, time period, buildings, and parks.

- The de Young and Legion are separate and distinct from each other, and it is important to retain this difference.

- The experience with the de Young is open and fluid. It represents the City and its diversity. The main court of the New de Young, where orientation to the entire museum including all of the galleries is possible, is open to the public at no charge. It is proposed that a variety of leaves in different sizes be used to symbolize the de Young art experience and the diversity of the collection. The leaves create a message of a new de Young art experience in a green, park place. The shade of green proposed for the leaves is meant to communicate an alive, fresh, and new sense, and to also reflect the de Young art experience of children.

- The Legion represents a special experience for everyone who interacts with the building, Lincoln Park, and the art. It is a Museum of classic beauty; its art and architecture have a formal quality. The use of a flower symbol, the universal symbol of beauty, is proposed. The flower draws one into it, and is intended to symbolically draw one into the art.

- The leaves and flower symbols, when used together, symbolize the Fine Arts Museums.

- A possible change in name was discussed, but the consensus was to continue with the name as the Fine Arts Museums of San Francisco.

It is planned to present the branding program proposal to the Board of Trustees at its meeting on June 13, 2002 in preparation for a civic celebration launching the New de Young Museum Project some time this fall. Mr. Parker advised that the fence surrounding the New de Young construction site could be decorated with the de Young branding symbol. On motion, duly seconded, the Executive Committee voted unanimously to recommend the branding program proposal to the Board of Trustees for approval at its meeting on June 13, 2002.

VI. Report of The Fine Arts Museums Foundation – Richard W. Goss II, President

In the absence of President Goss, President Wilsey reported that at its special meeting on May 8, 2002, the Board of Trustees of The Fine Arts Museums Foundation adopted a resolution similar to the one above (pages 940-942) approving the transaction (issuance of the tax-exempt bonds) in its substantially final form, delegating the authority to close the transaction to the Officers of the Foundation.

VII. Adjournment – Diane B. Wilsey, President

There being no further business, the meeting adjourned at 3:10 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Executive Committee on matters stated, but not necessarily in the order in which the matters were considered.

mcofamexc025

SUMMARY OF FINANCIAL CONDITION COVENANT

This covenant is made up of two critical elements:

(1) the promise of COFAM and the Foundation to coordinate the construction of the Project and their fund-raising efforts for the Project so as to maintain in the two de Young Project Funds a balance equal to the expected pledges to build the new de Young Museum, discounted by 20%; and

(2) the consequences (in two stages) of not maintaining that required balance.

DETAILS OF THE COVENANT

- *When the Minimum Balance is Tested.* The amount of the Minimum Balance shall be determined as of the last day of each Fiscal Year, by reference to an agreed upon schedule of Minimum Balances attached to the Loan Agreement. There is a built-in lag time of 180 days, as the test must be based on audited financial statements.
- *How the Minimum Balance is communicated to the Bond Insurer.* The Treasurer of the Corporation shall, within 180 days of the end of each Fiscal Year, certify to the Trustee and the Bond Insurer the amounts contained in the Minimum Balance Funds, as of the end of the immediately prior Fiscal Year, based upon the combined audited financial statements for COFAM and the Foundation for such Fiscal Year.
- *Cure Period.* COFAM and the Foundation have a full Fiscal Year to bring the balances on hand in the New de Young Funds up to the Minimum Balance.

NON-COMPLIANCE; DETAILS OF THE CONSEQUENCES

Non-Compliance; Deposit to Reserve Fund. If COFAM and the Foundation have not brought the aggregate balance in the New de Young Funds up to the Minimum Balance by the end of a full Fiscal Year after the time the lower balance first occurs, COFAM and the Foundation shall deposit with the Trustee, within 210 days after the end of the Fiscal Year in which the Minimum Balance Covenant Default occurs, for deposit to the Reserve Fund held by the Trustee, an amount (the "Reserve Fund Deposit") equal to two times the Minimum Balance Shortfall (as defined below). The term "Minimum Balance Shortfall" means the difference between the Minimum Balance, as of the date of calculation, and the amounts actually shown to be on hand in the Minimum Balance Funds. The Reserve Fund Deposit cannot exceed 20% of the principal amount of the Bonds.

Benefit of Interest Earnings. COFAM and the Foundation will receive the benefit of the interest earnings on funds in the Reserve Fund, but will not be able to retain any positive arbitrage.

Release of funds from the Reserve Fund. An amount equal to the Reserve Fund Deposit will remain on deposit in the Reserve Fund unless and until COFAM and the Foundation have brought the amounts on hand in the Minimum Balance Funds to the Minimum Balance for two (2) consecutive Fiscal Years, whereupon all amounts on deposit in the Reserve Fund in excess of the Reserve Fund Deposit will be released to COFAM and the Foundation.

Second Stage of Consequences -Amortization. If COFAM and the Foundation are unable to restore the balance in the New de Young Funds within one year of making the Reserve Fund Deposit, COFAM and the Foundation will be required to commence amortization of the Bonds, based upon a schedule to be prepared at that time, using a proxy for the variable interest rate on the Bonds, and seeking to achieve approximately level debt service. Amortization will cease if the Minimum Balance is restored.

Use of Subordinate Borrowings to Satisfy Minimum Balance Covenant. The Minimum Balance Covenant may be satisfied by depositing into the New de Young Funds proceeds of any borrowing under which either or both of COFAM and the Foundation are the borrower, including the proceeds of a secured or unsecured line of credit, so long as (1) the Bond Insurer consents, and (2) such borrowing is unsecured, is subordinated to the obligation of COFAM and the Foundation to pay Loan Payments, and so long as the terms of such borrowing prohibit the repayment of said borrowing until COFAM and the Foundation comply with Minimum Balance Covenant at the end of a Fiscal Year without including the proceeds of such borrowing as a credit to the Minimum Balance Funds.

Appendix B

New de Young Museum Project
Summary of Cash Flow Evolution

	1/31/02 "Optimisized"	5/7/02 Base Case	
Fundraising Summary			
Project Costs	$ 185,000,000	$ 202,100,000	
Fundraising Pledge	165,000,000	165,000,000	
	$ 20,000,000	$ 37,100,000	
Uses of Construction Draws			
Construction Expenses	$ 185,000,000	$ 191,700,000	
Working Capital Expenses	-	10,400,000	
	$ 185,000,000	$ 202,100,000	
Sources of Construction Draws (incl. earnings)			
Construction Draws from Bonds	$ 110,629,894	$ 129,083,609	
Working Capital Fund	-	10,539,715	
Restricted Pledges	26,533,333	37,056,083	(1)
Unrestricted Pledges	47,836,773	25,560,314	
	$ 185,000,000	$ 202,239,721	
Summary of Pledges & Earnings			
Restricted Pledges Expended To Date	$ -	$ 28,300,000	
Restricted Pledges Due	71,700,000	19,300,000	
Interest Earnings on Restricted Pledges	-	1,516,367	
Total Restricted	$ 71,700,000	$ 49,116,367	
Unrestricted Pledges Received	$ 67,173,000	$ 65,800,000	
Unrestricted Earnings to Date	-	7,000,000	
Unrestricted Pledges Due	26,127,000	51,600,000	
Future Earnings on Unrestricted	147,477,944	191,637,109	
Total Unrestricted	$ 240,777,944	$ 316,037,109	
Total Pledges	$ 165,000,000	$ 165,000,000	
Total Pledges plus earnings	$ 312,477,944	$ 365,153,477	
Bond Summary			
Par Amount of Bonds	$ 128,350,000	$ 143,000,000	
Debt Service Paid	$ 261,994,438	$ 296,973,463	
Aggregate Annual Fees Paid	-	21,061,576	
Less Capitalized Interest	(19,092,063)	(13,790,160)	
Net Bond Expense Paid	$ 242,902,375	$ 304,244,878	
Operating Summary			
Monthly Subsidy	$ -	$ 36,267	
Annual Subsidy	$ -	$ 435,204	
Total Operating Subsidy	$ -	$ 11,968,083	
Ending Balance	$ 2,319,937	$ -	

(1) $17.5 million of restricted pledges collected to date plus future payments of restricted pledges

Appendix C

ABAG Finance Authority for Non Profit Organizations
Summary of Results using 5% Fixed Rate GIC Scenario as the Base Case.
April 19, 2002

Scenario A - Par Amount Needed to Get to Zero Subsidy

	5-Year Rate GIC(1)(2) $172,000,000 Pledges
Total Par Amount:	$ 147,100,000
Project Fund Deposit:	128,950,000
Ending Pledge Fund Balance:	351,558
Total Operation Subsidy:	-
Present Value Total Operation Subsidy:	-
Monthly Operations Subsidy:	-

(1) Analysis describes the results of an Increase of 50 basis points annually on the Bond Rate/capped at 3.87%.

(2) Analysis describes the results of a 100 basis points Increase after first 5 years of Interest on the 5 year Fixed Reinvestment Rate of 5%

Scenario B - Adjustment In Interest Rate Step Ups to Get to Zero Subsidy

	5-Year Rate GIC(1)(2) $172,000,000 Pledges
Total Par Amount:	$ 143,000,000
Project Fund Deposit:	126,335,000
Ending Pledge Fund Balance:	915,871
Total Operation Subsidy:	-
Present Value Total Operation Subsidy:	-
Monthly Operations Subsidy:	-
Annual Adjustment in Bond Rate:	40 bps from 50 bps

(1) Analysis describes the results of an Increase of 40 basis points annually on the Bond Rate/capped at 3.87%.

(2) Analysis describes the results of a 100 basis points Increase after first 5 years of Interest on the 5 year Fixed Reinvestment Rate of 5%

Scenario C - $10 million Cash Infused on Day One into Unrestricted Pledge Fund

	5-Year Rate GIC(1)(2) $172,000,000 Pledges
Total Par Amount:	$ 143,000,000
Project Fund Deposit:	125,315,000
Ending Pledge Fund Balance:	48,989,988
Total Operation Subsidy:	-
Present Value Total Operation Subsidy:	-
Monthly Operations Subsidy:	-

(1) Analysis describes the results of an Increase of 50 basis points annually on the Bond Rate/capped at 3.87%.

(2) Analysis describes the results of a 100 basis points Increase after first 5 years of Interest on the 5 year Fixed Reinvestment Rate of 5%

Scenario D - $1.8 million Cash (Breakeven Amount) Infused on Day One into Unrestricted Pledge Fund

	5-Year Rate GIC(1)(2) $172,000,000 Pledges
Total Par Amount:	$ 143,000,000
Project Fund Deposit:	125,315,000
Ending Pledge Fund Balance:	333,264
Total Operation Subsidy:	-
Present Value Total Operation Subsidy:	-
Monthly Operations Subsidy:	-

(1) Analysis describes the results of an Increase of 50 basis points annually on the Bond Rate/capped at 3.87%.

(2) Analysis describes the results of a 100 basis points Increase after first 5 years of Interest on the 5 year Fixed Reinvestment Rate of 5%

Prepared by Salomon Smith Barney

History of BMA Rates

1989 Inception to Date

	Average	Date	Low	Date	High	Spread
1989	6.12%	07/12/89	5.77	12/27/1989	6.83	1.06
1990	5.91%	11/7/1990	5.29	12/26/1990	7.89	2.60
1991	4.37%	6/12/1991	3.47	12/25/1991	5.82	2.35
1992	2.81%	7/8/1992	1.89	4/29/1992	4.08	2.19
1993	2.37%	1/6/1993	1.64	12/29/1993	3.12	1.48
1994	2.84%	1/5/1994	1.70	12/28/1994	5.53	3.83
1995	3.85%	6/7/1995	2.73	12/27/1995	5.10	2.37
1996	3.43%	3/6 & 4/3/1996	3.09	4/24 & 12/28/1996	4.11	1.02
1997	3.66%	1/1/1997	3.02	4/23/1997	4.57	1.55
1998	3.43%	9/2/1998	2.79	4/22/1998	4.37	1.58
1999	3.29%	2/10/1999	2.17	12/29/1999	5.46	3.29
2000	4.12%	1/5/2000	2.93	5/10/2000	5.84	2.91
2001	2.26%	12/5/01	1.1	1/24/01	4.48	3.38
2002	1.27%	1/2/2002	1.08	3/20/2002	1.48	0.40
	3.552%					2.14
		1st Q	6	1		
		2nd Q	3	6		
		3rd Q	3			
		4th Q	2	8		
			14	15	*counts dual highs in 2nd & 4th Q in 19	

1990s Average	3.60%
Ave. of first 10 ye	3.88%
Ave. of last 5 year	2.88%

Appendix E

ABAG Finance Authority for Nonprofit Corporations
Revenue Bonds, Series 2002A & 2002B
(New de Young Museum Project)
Estimated Costs of Issuance Payable at Closing

05/08/02

	Fee	Fee Basis	Total
CONDUIT ISSUER FEES			$ 33,600
ABAG Finance Auth. for NonProfits	28,600	$0.0002 of par amount*	
Not-to-Exceed Expenses	5,000	flat fee for legal expenses	
ISSUER CONSULTANT FEES			$ 1,000
Monique Moyer, Mayor's Office -- FEE WAIVED	111,600	Hourly @ $93 /hour	
Not-to-Exceed Expenses	1,000	billed at actual expense	
UNDERWRITER'S DISCOUNT			$ 768,388
Management Fee			
Salomon Smith Barney, Series A	150,150	$2.1 per $1,000 in bonds	
Banc of America Securities, Series B	100,100	$1.4 per $1,000 in bonds	
Takedown (Sales Commission)			
Salomon Smith Barney, Series A	357,500	$5 per $1,000 in bonds	
Banc of America Securities, Series B	125,125	$1.75 per $1,000 in bonds	
Expenses - Not-to-Exceed Cap			
Salomon Smith Barney, Series A	28,505	billed at actual expense	
Banc of America Securities, Series B	7,008	these represent capped amounts	
COUNSEL FEES			$ 422,779
Jones Hall, Bond Counsel Fee	125,000	flat fee	
Not-to-Exceed Expenses	3,000	billed at actual expense	
Hawkins, Delafield, Underwriters Counsel, Fee	100,000	flat fee	
Not-to-Exceed Expenses	*included*		
Folger, Levine & Khan, 501(c)3 Counsel, Fee	80,000	hourly fee @ $300 & $150	
Not-to-Exceed Expenses	2,000	billed at actual expense	
City Attorney	112,779		
General Counsel, Adine Varah	25,000	Hourly @ $157.26/hour	
Debt Counsel, Michelle Sexton & Theresa Alvarez	25,000	Hourly @ $139.88 & $157.26/hour	
Real Estate, Michael Cohen & Hazel Brandt	57,779	Hourly @ $199 & $182/hour	
CEQA Counsel, Kate Stacy	4,000	Hourly @ $189/hour	
Chief of Staff, Jesse Smith	500	Hourly @ $194/hour	
Not-to-Exceed Expenses	500	billed at actual expense	
BOND INSURER			$ 2,927,200
MBIA Policy Cost	2,877,200	0.745% of total lifetime debt service	
Not-to-Exceed Expenses	50,000	billed at actual expense	
LIQUIDITY PROVIDER			$ 355,452
Bank of America Standby Purchase Agreement Fee	216,968	0.3% of Series 2002B amount**	
Commitment Fee payable at Closing	108,484	0.15% of Series 2002B commitment amount**	
Estimated Expenses - *Counsel Fees may rise*	30,000	billed at actual expense	
TRUSTEE			$ 6,800
Wells Fargo Bank	6,700		
Not-to-Exceed Expenses	100		

AUCTION AGENT - **Auction Rate Securities**			$ 2,000
Wilmington Trust	*waived*		
Not-to-Exceed Expenses	2,000		
RATING AGENCY FEES			$ 75,000
Standard & Poors	50,000	sliding fee based on deal size	
Fitch	25,000	sliding fee based on deal size	
PRINTING			$ 40,000
Printing of Preliminary Official Statement and Official Statements (POS/OS)	40,000		
AUDITOR	50,000	Estimated	$ 50,000
CONTINGENCY	17,780	Estimated	$ 17,780
TOTAL COST OF ISSUANCE			$ 4,700,000

**Represents 50% discount off normal pricing*

***Standby Purchase Commitment amount is equal to the par amount of the Series B bonds ($71.5 million) plus 35 days interest at the maximum rate of 12% (365 days/year) or $72,322,740*

Appendix F

ABAG Finance Authority for NonProfit Corporations
Revenue Bonds, Series 2002A & 2002B
(New de Young Museum Project)
Estimated Annual Transaction Costs

05/08/02

	Fee	Fee Basis	Total
CONDUIT ISSUER FEES			$ 28,600
ABAG Finance Auth. for NonProfits	28,600	$0.0002 of par amount	
Not-to-Exceed Expenses			
FINANCIAL ADVISOR FEES			$ 1,860
Monique Moyer, Mayor's Office	1,860	20 hours @ $93/hr	
Not-to-Exceed Expenses			
MARKET AGENT, SERIES 2002A BONDS			$ 235,950
Takedown (Sales Commission)			
Salomon Smith Barney	178,750	$0.0025 of the par amount of the bonds	
REMARKETING AGENT, SERIES 2002B BONDS			
Takedown (Sales Commission)			
Banc America Securities	57,200	$0.0008 of the par amount of the bonds	
COUNSEL FEES			$ 6,000
Folger, Levine & Khan, 501(c)3 Counsel, Fee	6,000	20 hours @ $300/hr	
Not-to-Exceed Expenses		billed at actual expense	
LIQUIDITY PROVIDER			$ 217,468
Bank of America Standby Purchase Agreement Fee	216,968	0.3% of commitment amount*	
Estmiated Expenses	500	billed at actual expense	
TRUSTEE			$ 4,255
Wells Fargo Bank	4,000		
Estmiated Expenses	255		
DISSEMINATION AGENT - Continuing Disclosure			$ 250
Wells Fargo Bank	-	included in annual Trustee fee	
Not-to-Exceed Expenses	250	annually, at cost	
ARBITRAGE REBATE ANALYST			$ 4,150
To be selected	4,000	flat fee per calculation	
Not-to-Exceed Expenses	150	per calculation/filing, at cost	
RATING AGENCY FEES			$ 6,000
Standard & Poors	3,000	flat fee for the Series 2002B Bonds	
Fitch	3,000	flat fee for the Series 2002B Bonds	

AUCTION AGENT - **Auction Rate Securities**			$	6,078
Wilmington Trust	6,078	$0.000085 of the par amount of the bonds		
Not-to-Exceed Expenses	-			
PROPERTY INSURANCE	200,000	Estimated	$	200,000
CONTINGENCY	7,000	Estimated	$	7,000
TOTAL ANNUAL COSTS			$	717,611

**Standby Purchase Commitment amount is equal to the par amount of the Series B bonds ($71.5 million) plus 35 days interest at the maximum rate of 12% (365 days/year) or $72,322,740*

CORPORATION OF THE FINE ARTS MUSEUMS

M.H. DE YOUNG MEMORIAL MUSEUM * CALIFORNIA PALACE OF THE LEGION OF HONOR

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NOTICE OF MEETING

Corporation of The Fine Arts Museums
Executive Committee of the Board of Trustees

Thursday, September 12, 2002
1:30 p.m.

233 Post Street, 6th Floor Conference Room
San Francisco, CA

AGENDA

ORDER OF BUSINESS

I. Calling of the Meeting to Order – Diane B. Wilsey, President

II. Calling of the Roll

Trustees:

Alvin H. Baum, Jr.
Belva Davis, Vice President/Civic Affairs and Audience Development
Richard P. Essey
Richard W. Goss II
George Hecksher
J. Burgess Jamieson
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nion T. McEvoy
J. Alec Merriam, Vice President
Robert P. Morrow III
Marianne H. Peterson
Steven MacGregor Read
Shelagh Rohlen, Vice President/Annual Support
Randolph R. Scott
Paul Violich, Vice President/Finance
Lonna Wais
Diane B. Wilsey, President

Non-Voting Officers:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Executive Secretary

III. Report of the President – Diane B. Wilsey

A. Approval of the Minutes of the June 13, 2002 Meeting of the Board of Trustees (See Appendix A) **Approval__**

B. Report on the Plans for a New de Young Museum in Golden Gate Park

C. Other Informational Items

1. Report on the September 25-27, 2002 National Council Meeting

2. Report on the Appointment of the Development Committees (Annual Support, Corporate Annual Support, Friends, Museum Associates, and National Council Planning Committees)

3. Report on the October 19-27, 2002 Museum Associates Trip to Italy

IV. Director's Report - Harry S. Parker III

A. Preliminary Report on the Fiscal Year 2001-02 Operating Budget Unaudited Results (To Be Distributed At Meeting) **Discussion**

B. Approval of a Resolution Ratifying the Chief Executive Officer's Execution of Amendment Number Seven to the COFAM Pension Plan on August 29, 2002 (See Appendix B) **Approval__**

RESOLVED, That the Executive Committee of the Board of Trustees of the Corporation of The Fine Arts Museums does hereby ratify the Chief Executive Officer's execution of Amendment Number Seven to the COFAM Pension Plan on August 29, 2002.

Approval__

C. Other Informational Items

V. Report on the August 8, 2003 Meeting of the New de Young Building Committee – Steven MacGregor Read, Chair

VI. Report of the Annual Support Committee – Shelagh Rohlen, Chair and Vice President

VII. Report of The Fine Arts Museums Foundation – Richard W. Goss II, President

A. Report on the Sale of the New de Young Museum Tax-Exempt Bonds and the Status of the New de Young Funds of The Fine Arts Museums Foundation

VIII. Adjournment – Diane B. Wilsey, President

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CORPORATION OF THE FINE ARTS MUSEUMS

Board of Trustees
June 13, 2002

I. Calling of the Meeting to Order and Invitation to Members of the Public to Attend and Participate in Discussions Relating to the New de Young Financing Plan and the Issuance of Tax-Exempt Bonds by the ABAG Finance Authority for NonProfit Corporations (Agenda Item IV., A.) - Diane B. Wilsey, President

A meeting of the Board of Trustees of the Corporation of The Fine Arts Museums was held on Thursday, June 13, 2002, in the Board Room of the California Palace of the Legion of Honor, Lincoln Park, San Francisco. A quorum was present that being one-third of the number of Trustees in office. The meeting was called to order at 3:55 p.m. by Diane B. Wilsey, President, who invited members of the public to attend and participate in discussions relating to the New de Young Financing Plan and the issuance of tax-exempt bonds by the ABAG Finance Authority for NonProfit Corporations (Agenda Item IV. A.).

President Wilsey presided; Mrs. Gough acted as Secretary.

II. Calling of the Roll

The following Trustees were present:

Arlene Ackerman
Del M. Anderson
Cheryl H. Bancroft
Jamie Nicol Bowles
Barbara B. Carleton
Iris S. Chan
Barnaby Conrad III
Dagmar Dolby
Richard P. Essey
Morgan Flagg
Dr. Rupert Garcia
Jacqueline Hoefer
Beverly James
Diane B. Lloyd-Butler, Vice President/Marketing and Communications
Nancy McBean
J. Alec Merriam, Vice President
Lorna F. Meyer
Marianne H. Peterson
Michael H. Podell
Louise H. Renne
Randolph R. Scott
Burl A. Toler, Sr.

Nancy Willis
Diane B. Wilsey, President
David Winton

On motion, duly seconded and carried unanimously, the following Trustees were excused:

Alvin H. Baum, Jr.
Alix Phillips Becker
George McNear Bowles
T. Robert Burke
Marion Moore Cope
Belva Davis, Vice President/Civic Affairs and Audience Development
Richard H. Finn
Harrison S. Fraker, Jr.
John A. Friede
Mara Fritz
Richard N. Goldman
Constance Goodyear
Richard W. Goss II
Nancy Hamon
George Hecksher
J. Burgess Jamieson
Ann L. Johnson, M.D.
Stephen L. Johnson
William R. Kimball
Nion McEvoy
Josie Mooney
Robert P. Morrow III
Bernard Osher
Joy Ou
Steven MacGregor Rea
George R. Roberts
Shelagh Rohlen, Vice President/Annual Support
George B. Saxe
Gail P. Seneca
Carlos Villa
Paul Violich, Vice President/Finance
Lonna Wais

Other Trustees in attendance were:

Keith Eickman
Leonard E. Kingsley
Sylvia Kingsley
Gail Merriam
Katharine Doyle Spann
William A. Stimson

The following Non-Voting Officers were present:

Harry S. Parker III, Chief Executive Officer
Steve Dykes, Treasurer
Judy Gough, Executive Secretary

III. Report of the President – Diane B. Wilsey

A. Consideration and Possible Action to Approve the Minutes of the April 11, 2002 Annual Meeting of the Board of Trustees

There being no discussion among the Trustees, the minutes of the April 11, 2002 annual meeting of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

B. Consideration and Possible Action to Approve the Minutes of the May 9, 2002 Meeting of the Executive Committee of the Board of Trustees

There being no discussion among the Trustees, the minutes of the May 9, 2002 meeting of the Executive Committee of the Board of Trustees, having been mailed in advance to all Trustees, were unanimously approved.

C. Report on the Plans for a New de Young Museum in Golden Gate Park

President Wilsey advised that the demolition of the de Young Museum buildings, with the exception of the wing still occupied by the Asian Art Museum, was completed at the end of May. Excavation is scheduled to start later this month and is expected to continue for approximately five months until construction begins in December 2002.

D. Welcome to New Trustee Arlene Ackerman

President Wilsey introduced Arlene Ackerman, who was attending her first meeting as a newly elected Trustee. The Board of Trustees welcomed Trustee Ackerman with a round of applause.

D. Report on the Capital Campaign to Build a New de Young Museum in Golden Gate Park

President Wilsey announced that to date the capital campaign totaled $154,259,893 in gifts and pledges from 5,695 donors.

LaVerne Silverman, Chair of the San Francisco Auxiliary, presented the Board of Trustees with a check for $500,000, which completes the Auxiliary's pledge of $1 million in support of the New de Young. The check represents the proceeds from Bouquets to Arts, the successful annual fund-raising event organized by the San Francisco Auxiliary. The Board of Trustees accepted the $500,000 check with sincere appreciation and a round of applause.

1. Grant Proposal to the Columbia Foundation to Support the New de Young Museum

Mr. Parker pointed out that the appended grant proposal prepared by Gerry Chow, Foundation and Corporate Grants Manager, for the Columbia Foundation was particularly noteworthy in stating the case for the New de Young Museum. Trustees were encouraged to use this summary as a reference document in the future. Mr. Chow advised that the Columbia Foundation is a local foundation with an interest in cultural organizations and the arts.

E. Other Informational Items

1. Report on the May 16, 2002 Annual Donor Luncheon Featuring Pierre de Meuron as Keynote Speaker

Architect Pierre de Meuron was the featured speaker at the Annual Donor Luncheon on May 16, 2002 at the Legion of Honor. Mr. de Meuron presented five Herzog & de Meuron Architekten AG projects, including the New de Young Museum in Golden Gate Park.

2. Report on 2002-03 Committees of the Board of Trustees

The appended list of 2002-03 Committees of the Board of Trustees was distributed. President Wilsey noted that the Development Committees were in formation and will be announced in the fall.

IV. Director's Report - Harry S. Parker III

A. Report on the New de Young Financing Plan Including the Issuance of the Tax-Exempt Bonds by the ABAG Finance Authority for NonProfit Corporations

1. Presentation on the Preliminary Official Statement (Bond Prospectus) $143,000,000, ABAG Finance Authority for Nonprofit Corporations, Revenue Bonds (New de Young Museum Project, San Francisco, California) – Monique Moyer, Director, Mayor's Office of Public Finance, Nikolai J. Sklaroff, Vice President, Public Finance Department, SalomonSmithBarney, and Richard W. Chisholm, Managing Director, Principal Securities, Banc of America Securities

Mr. Parker presented the Preliminary Official Statement (Bond Prospectus) dated June 10, 2002, which represents the culmination of an extraordinary effort by the New de Young Financing Team led by Monique Moyer, Director of the Mayor's Office of Public Finance, and the Board of Trustees of The Fine Arts Museums Foundation to structure the most cost effective financing for the New de Young Museum. He introduced Monique Moyer recalling that immediately following the loss of the second City and County of San Francisco general obligation bond measure in November 1998, Mayor Willie L. Brown, Jr., offered the assistance of Ms. Moyer to formulate a non-profit finance plan for the New de Young Museum.

Ms. Moyer congratulated the Museums on the publication of an especially well-done bond prospectus complete with images of works of art from the de Young collections and the New de Young Museum on the back cover. The Preliminary Official Statement sets forth the terms and conditions under which an investor would invest in the financing of the New de Young. The tax-exempt bonds will be issued by the Association of Bay Area Governments (ABAG) Finance Authority for NonProfit Corporations to finance the construction of the New de Young Museum. Today, the de Young bonds received an excellent, underlying A- ranking with a stable outlook by the three rating agencies, Moody's, Standard & Poor's and Fitch.

Nikolai J. Sklaroff, Vice President of the Public Finance Department, SalomonSmithBarney, reported that the preliminary A-category ranking for the bonds allowed the Museums to obtain a favorable premium for bond insurance through MBIA. The procurement of the bond insurance, which guarantees payment of the principal and interest to the investors, and the strength of the New de Young capital campaign influenced the expected AAA rankings by the three rating agencies of the Series 2002A and Series 2002B Bonds.

The Series 2002 A Bonds, Auction Rate Securities underwritten by SalomonSmithBarney, are currently in the bond market in a retail pre-order period. They will be sold on Monday, June 17th with the closing scheduled for Thursday, June 20th. Mr. Skloaroff explained that the Series 2002 A Bonds are designed for individual or retail investors in California at a minimum purchase of $25,000. There has been strong investor interest in the bonds throughout the State. Anyone interested in purchasing the Series A Bonds should contract their personal brokers, or SalomonSmithBarney at 800-252-2019.

The Series 2002 B Bonds, the Variable Rate Demand Notes underwritten by Banc of America Securities, will enter the market on Wednesday, June 19th, following a two day pre-order period, and will also close on Thursday, June 20th. Richard W. Chisholm, Managing Director, Principal Securities, Banc of America Securities advised that the Series B Bonds are intended for purchase by institutional investors such as tax-exempt money market funds. The marketing strategy focuses initially on five or six institutional investors and familiarizing a larger number of institutional investors with the transaction in preparation for the remarketing effort in subsequent weeks. Anyone interested in the Series B. Bonds should contact Banc of America Securities at (415) 622-6586.

Ms. Moyer concluded the presentation noting that once the sale of the bonds closes on June 20th, $143 million less closing fees will be issued to the Foundation and COFAM.

2. Consideration and Possible Action to Adopt a Resolution Honoring Monique Moyer, Director, Mayor's Office of Public Finance

Mr. Parker extended appreciation to Ms. Moyer, Mr. Sklaroff, and Mr. Chisholm for their efforts to secure the $143,000,000 bond offering to finance the construction of the New de Young Museum. He then introduced the following resolution, to be effective upon the sale of the bonds, honoring Ms. Moyer for her leadership role as a member of the New de Young Financing Team.

WHEREAS, The highest institutional priority of the Fine Arts Museums of San Francisco, the Corporation of The Fine Arts Museums, and The Fine Arts Museums Foundation is to build a new facility to house the M. H. de Young Memorial Museum (New de Young Museum) in Golden Gate Park; and

WHEREAS, Efforts to secure public funding for a New de Young Museum were unsuccessful with proposed City and County of San Francisco general obligation bond measures failing to receive the 66.7% affirmative votes for passage in 1996 (62.6% yes votes) and 1998 (64.3% yes votes); and

WHEREAS, Immediately following the loss of the second City and County of San Francisco general obligation bond measure in November 1998, Mayor Willie L. Brown, Jr., offered the assistance of Monique Moyer, Director, Mayor's Office of Public Finance, to help structure the most cost efficient non-profit financing for the New de Young Museum; and

WHEREAS, She has been indefatigable in her efforts for three and one-half years to structure a not-for-profit bond financing plan for the New de Young Museum; and

WHEREAS, Ms. Moyer has been exceedingly generous in contributing her expertise and time to the New de Young Financing Plan; now, therefore, be it

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby express its profound gratitude to Monique Moyer for her leadership and outstanding dedication to secure the tax-exempt bond financing for the New de Young Museum; and be it

FURTHER RESOLVED, That the Board of Trustees congratulates the New de Young Financing Team for successfully bringing to fruition the $143 million bond offering to finance the construction of the New de Young Museum in Golden Gate Park.

On motion, duly seconded, there was no discussion among Trustees. There was no public testimony. The Board of Trustees voted unanimously to adopt the above resolution, effective upon the sale of the bonds, as **Board Resolution 314,** and acknowledged Ms. Moyer with a heartfelt round of applause. Ms. Moyer thanked the Board of Trustees for its kind sentiments and for the gift of the New de Young Museum to the City of San Francisco. She ended her remarks noting that approximately 53 individuals worked on the New de Young bond transaction.

B. Consideration and Possible Action to Adopt Investment Guidelines for the New de Young Bond Proceeds and Pledge Funds

Mr. Parker discussed the immediate need to invest the New de Young bond proceeds and pledge funds. The proposed Permitted Investments for New de Young Museum Project Bond Proceeds and Pledge Funds was distributed, which sets forth certain investment guidelines required by MBIA, the insurer of the bonds. On motion, duly seconded, there was no discussion among Trustees. The Board of Trustees voted unanimously to adopt the Permitted Investments for the New de Young Museum Project Bond Proceeds and Pledge Funds as appended.

C. Report on COFAM Operating Budget as of April 30, 2002

At the request of Mr. Parker, Steve Dykes, Deputy Director for Administration and Finance, presented the COFAM Operating Budget Report as of April 30, 2002. At April 30, 2002, the budget was $378 in the red, compared to the expectation of $168k positive. The COFAM Reserve was $2,420k, down $290k from the month before.

It was noted that the Rolling Forecast II relies upon propping up the budget with more than $400k in one-time funds, freezing personnel vacancies, and imposing selected 5% and 10% other expense cuts to try to counteract both poor exhibition program performance during the first half of the Fiscal Year and the September 11th economic downturn. Although the forecast's operating bottom line is $70k in the red, the actual outcome is too close to call.

At $6,348k support was up $62 k due to the use of a one-time $300k unrestricted gift, $100k more from Goldsmith Fun income for the *Dada* show, and $190k from New de Young funds to offset contribution to statewide propositions that included funds for cultural and recreational facilities. In e Annual Contributions line, Associates donations ($5k and up) were running ahead, but iends ($1k - $2.5k) lagged budget, as did the Business Council and the Spring Mail rive.

At $4,481 revenues were off tar t by $845k in the same areas since last fall. Store gross profit was off $151k, facilities re als off $131k, general admissions off $73k, member dues off $306k, trip fees off $ 56k – a budget aberration with expense offsets from the Italy trip cancelled after Sept nber 11th, adds for the Dutch trip, and ultimately breakeven trip results by year-end.

At $6,108k personnel expenses n $102k below budget due to freezing vacant positions and savings from employees oluntarily reducing their workweeks. Exhibit Group personnel costs were down and argely offset by an increase in Exhibit Program Temporary Labor – the result of using he additional $100k of Goldsmith Fund income to pay for regular operating personnel ex enses attributable to the *Dada* show to help balance the budget.

At $4,752k other expenses were 361k over budget. Exhibit costs were $118k of this overage due to *Thiebaud* exhibit a being returned to lenders by truck rather than planes after the September 11th terroris attacks. Front-end costs for the road tour of *American Accents* were running $46k gher than expected and were covered with Root endowment income for American art. he Administration General line was up $244k year-to-date primarily due to the $150 Proposition 40 contribution and a $40k Traffic Relief Committee contribution. Both easures include funding for cultural and recreational facilities. The New de Y ing Fund was used to cover these costs.

Membership costs were down $ 31k partially offsetting the drop in dues income. The overage for offsite facilities was i cluded in the interim budget revision to correct a mistake in the original budget. The re aining other expense variations from budget are expected to even out before year's end and track rolling forecast budget savings goals.

Mr. Dykes noted the difficulty n predicting whether the Fiscal Year 2001-02 Operating Budget at June 30th will bre k-even or end in the red. Trustees, who have not yet contributed to the Annual Fund, w re encouraged to do so in an effort to meet the $3 million annual fund-raising goal and h elp offset this tough financial period due to the closure of the de Young Museum and he general economic slowdown.

D. Consideration and Possible Action to Adopt a Resolution Authorizing the Opening of an Account at SalomonSmithBarney

Mr. Parker introduced the following resolution authorizing the opening of an Account at SalomonSmithBarney to accommodate certain gifts of stock from donors.

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums does hereby authorize the Treasurer and Controller of the Corporation to open an account in the name of the Corporation at the firm of SalomonSmithBarney, for the sole purpose of receiving and selling gifted shares of stocks to this Corporation; and be it

FURTHER RESOLVED, That this account remains in full force until rescinded or modified by this Board.

On motion, duly seconded, there was no discussion among Trustees. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 315.**

E. Consideration and Possible Action to Adopt a Resolution Covering the Transfer of Shares at SalomonSmithBarney

The companion resolution covering the sale of gifted shares of stock at SalomonSmithBarney was presented by Mr. Parker:

RESOLVED, That any one of the following officers and employees of the Corporation of The Fine Arts Museums, to wit:

Harry S. Parker III, Chief Executive Officer
Stephen E. Dykes, Treasurer
Barbara Boucke, Deputy Director for Development
Robert M. Cullison, Controller

are authorized to sell, assign, transfer or dispose of any stocks, bonds, or other securities now or hereafter owned or held by the Corporation at SalomonSmithBarney; and, be it

FURTHER RESOLVED, That any Transfer Agent, Registrar or issuer of securities to whom a copy of this resolution shall be delivered may rely upon this resolution until such time as written notice of any change, amendment or cancellation thereof shall have been received by such Transfer Agent, Registrar or issuer of securities.

On motion, duly seconded, there was no discussion among Trustees. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 316.**

F. Consideration and Possible Action to Adopt a Resolution Authorizing the Transfer of Stock

Mr. Parker introduced the following resolution:

RESOLVED, That the Board of Trustees of the Corporation of The Fine Arts Museums (COFAM) does hereby authorize that any two of the following individuals are fully authorized and empowered to sell, assign, transfer, and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by this Corporation and to make, execute, and deliver any and all written instruments necessary or proper to effectuate the authority hereby conferred, including execution of all written instructions necessary for our nominees, Wells Fargo Bank, Dresdner RCM Global Investors, and Merrill Lynch, to implement the transaction.

Authorized Individuals:
Harry S. Parker III, Chief Executive Officer
Stephen E. Dykes, Treasurer
Barbara Boucke, Deputy Director for Development.
Robert M. Cullison, Controller

On motion, duly seconded, there was no discussion among Trustees. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 317.**

G. Other Informational Item

Information regarding an exhibition at the Oakland Museum of California, *Ruth Asawa: Completing the Circle*, was distributed. This retrospective survey celebrates more than 40 years of work by Trustee Emerita Ruth Asawa, a nationally recognized San Francisco artist. The exhibition runs from June 15 to September 22, 2002.

V. Report of the New de Young Building Committee – Steven MacGregor Read, Chair

In the absence of Chair Read, Mr. Parker reported that the New de Young Building Committee is scheduled to meet on August 8th to review mock-ups of the American Art gallery designs.

VI. Report of the Joint Meeting of the Civic Affairs and Audience Development Committee and the Marketing and Communications Committee – Belva Davis, Chair and Vice President of Civic Affairs and Audience Development, and Diane B. Lloyd-Butler, Chair and Vice President of Marketing and Communications

A. Consideration and Possible Action to Adopt a Resolution Approving the Identity Language and Symbols for the Fine Arts Museums of San Francisco, the California Palace of the Legion of Honor, and the M. H. de Young Memorial Museum – Brian Boylan, Chairman, Wolf Olins

Chair Lloyd-Butler reported that approximately one year ago, Wolf Olins was retained to articulate the brand for the Fine Arts Museums, the Legion of Honor, and the New de Young Museum. The branding effort will clarify the public's notion of the identity, personality and character of the Museums, particularly the New de Young, through the use of a variety of symbols, trademarks, and logos. The Civic Affairs and Audience Development Committee and the Marketing and Communications Committee have worked closely with the branding consultants. Interviews with Trustees serving on these two committees, community leaders and staff were conducted during the research phase of the project. At the October 18, 2001 meeting of the Board of Trustees, Wolf Olins reviewed the research phase and presented their preliminary findings.

At a joint meeting of the two Committees on May 8, 2002, Wolf Olins presented their branding recommendations. Following a second presentation of the branding program proposal on May 9, 2002, the Executive Committee voted to recommend the proposal to the Board of Trustees for approval. Chair Lloyd-Butler introduced Brian Boylan, Chairman of Wolf Olins.

Mr. Boylan began by stating that the branding process was initiated about one year ago. At that time, the de Young Museum had closed to the public and the Legion was expanding programmatically to fill the gap. There was some confusion externally regarding the relationship of the two museums to each other and to the Fine Arts Museums of San Francisco, which was also perceived by the outsider as being a low-profile cultural institution. New de Young planning was ongoing.

The task for Wolf Olins, working with the Museums, was to build the brands for both the New de Young and the Legion of Honor. The New de Young with its first-rate architecture needs a brand, which will establish its own special character and personality and prevent it from being regarded as another Herzog & de Meuron museum. The Legion of Honor has something special and different to offer, and it should have its own identity apart from the New de Young and as part of the Fine Arts Museums.

In order to develop the brands, discussions with over 100 individuals in either focus groups or in one-on-one interviews were conducted regarding their perceptions and sense of the Museums. The individuals interviewed ranged from those close to the organization to tourists and the community-at-large. Branding program recommendations resulted, which strive to express the essence of the Museums.

The following highlights the Mr. Boylan's power point presentation:

- The Fine Arts Museums exist in a rapidly and significantly changing museum world, which has become highly competitive in acquiring the art itself, loans of art, sponsorship, donations and market share. Museums are urban anchors and part of the social fabric of cities. Museums and cultural organizations are defining the nature of cities in the United States and abroad.

- The Fine Arts Museums is growing rapidly and at a critical stage in its evolution. The Museums represent San Francisco's world art and the diversity and open mindedness of the City itself. The collections and the organization are extraordinarily diverse. It became clear that the theme of diversity would be critical to the branding project.

- A concept of connection evolved with a goal of connecting everyone who lives in or visits San Francisco with the Museums' world art, geography, time period, buildings, and parks. There are three major connections to be made: 1) connecting

San Francisco, the Museums' art and people; 2) connecting across the diversity of art within the collection; and 3) connecting the New de Young and Legion of Honor to each other through a 21st century point-of-view, and with Golden Gate Park and Lincoln Park, respectively.

- The de Young experience is open and fluid, a public conversation with art in an urban park setting. The main court of the New de Young, where orientation to the entire museum including all of the galleries is possible, is open to the public at no charge. The art endeavors to make connections with the outside world. The architecture reflects this relationship bringing nature into the de Young and the art into the Park. A leaf motif is proposed for the New de Young. A variety of leaves in different sizes are recommended to symbolize the de Young art experience and the diversity of the collection. The leaves create a message of fluidity, openness, and are part of the public domain.

- The Legion represents a more individual-oriented, intimate experience for everyone who interacts with the building, the tranquility of Lincoln Park, and the art. It is a Museum of classic beauty; its art and architecture have a formal quality. The use of a classical icon, a kaleidoscope flower symbol, is proposed. The flower is a universal symbol of beauty, drawing one into it, and is intended to symbolically draw one into the art.

- Connecting the leaves and flower symbols signify the Fine Arts Museums of San Francisco.

Mr. Boylan concluded his presentation to a round of applause from the Board of Trustees. Mr. Parker advised that the fence surrounding the New de Young construction site could be decorated with the New de Young branding symbol and graphics. The brands for the Legion and de Young would begin to be used in printed materials pertaining to the membership program, the New de Young project, and ongoing activities at the Legion of Honor.

The following resolution was introduced:

WHEREAS, The firm of Wolf Olins was retained to articulate the brand for the Fine Arts Museums, Legion of Honor, and the New de Young Museum; and

WHEREAS, The purpose of the branding project was to clarify the public's notion of the identity, personality and character of the Museums, particularly the New de Young Museum, through the use of a variety of symbols, trademarks, and logos; and

WHEREAS, The Civic Affairs and Audience Development Committee and the Marketing and Communications Committee have worked closely with the branding consultants; and

WHEREAS, Interviews with Trustees serving on these two committees, community representatives, and staff were conducted during the research phase of the project; and

WHEREAS, At the October 18, 2001 meeting of the Board of Trustees, Wolf Olins reviewed the research phase and presented their preliminary findings; and

WHEREAS, Wolf Olins presented the Branding Program Proposal at a joint meeting of the two Committees on May 8, 2002, and to the Executive Committee on May 9, 2002; and

WHEREAS, The Executive Committee of the Board of Trustees voted unanimously to recommend the Branding Program Proposal to the Board of Trustees of the Corporation of The Fine Arts Museums for approval at its meeting on June 13, 2002; now, therefore, be it

RESOLVED, That the Board of Trustees, upon the recommendation of the Executive, Civic Affairs and Audience Development, and Marketing and Communications Committees, does hereby approve the Wolf Olins Branding Program Proposal.

On motion, duly seconded, there was no further discussion among Trustees. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 318.**

VII. Report of the Budget Committee – Paul Violich, Chair and Vice President of Finance

A. Consideration and Possible Action to Approve the Fiscal Year 2002-03 Operating Budget

At Mr. Parker's request and in the absence of Chair Violich, Mr. Dykes presented the proposed Fiscal Year 2002-03 Operating Budget, which was reviewed in detail by the Budget Committee at meetings on May 9th and June 5th. A summary of the presentation follows:

- At $16.9 million, the proposed budget has an $862k forecast deficit to be covered by New de Young Fund past earnings.

- Operating deficits are anticipated for the next three FYs until the New de Young Museum opens in Summer 2005. Deficit forecasts have been discussed by the COFAM Budget Committee and the Board of Trustees for several years and are part of the New De Young Museum planning process.

- Earned revenue forecasts next FY are heavily dependent upon the success of the *Eternal Egypt* exhibition from the British Museum (8/10 – 11/11/02). During this period, Legion of Honor visitor ca acity is taken to the maximum at 67,000 visitors per month, with 60% paid attenda e and a $14 adult fee ($8 general admission plus a $6 surcharge) $12 for seniors, $11 or youths, and $6 for children. Mr. Parker pointed out that school groups and childre under five years of age are free, and that visitors pay only the supplemental exhibit n admission fee on Ford Free Tuesdays.

- Personnel costs are up nearly $90(to $8.5 million despite nine positions lost by attrition. There are two main cost ivers. One is a $340k increase in pension fund contributions – the recommendatic of the new actuary to lower the investment return assumption, update mortality expe ations, and meet certain I.R.S. funding triggers. The second personnel cost driver i almost $700k in temporary salaries, a combination of staffing for the *Eternal Egypt* s w and grant-paid projects.

- Other expenses are up $2.3 millic to $8.3 million. Over half the increase is the *Eternal Egypt* show. Additional r jor other expense increases include the publication of the *Homer* exhibition catalogue he *Leonardo* exhibition; New de Young fund-raising, Federal government relati s, and branding implementation previously charged to the New de Young Fur incorporation of an annual report and fund-raising in the Member Magazine; l w de Young groundbreaking; contribution to a state proposition campaign for Nev de Young support; Ford Tuesdays support; a correction adding 233 Post Street r t, which was inadvertently deleted from the FY01-02 original budget; and an ir ease to compensate for the loss of City partial reimbursement for Education/Adm istrative/Operating expenses.

Mr. Dykes concluded his preser tion by thanking Controller Rob Cullison for his hard and able work and advised that tl Budget Committee recommends the approval of the Fiscal Year 2002-03 Operating Bu get to the Board of Trustees. President Wilsey expressed appreciation to Mr. Dykes c behalf of the Board of Trustees for his tireless efforts in not only preparing the opera ng budget but as a key member of the New de Young Financing Team.

On motion, duly seconded, the was no discussion among Trustees. The Board of Trustees voted unanimously to approv the Fiscal Year 2002-03 Operating Budget.

VIII. Report of the Audit Committee –Wi iam A. Stimson, Chair

A. Consideration and Possible Act on to Adopt a Resolution Appointing Auditors

Chair Stimson introduced the following resolution recommended by the Audit Committee for adoption by the Board of Trustees.

RESOLVED, That PricewaterhouseCoopers is appointed to audit the combined balance sheet of the Fine Arts Museums of San Francisco (FAM) as of June 30, 2002 and the related combined statements of revenues, expenses and changes in fund balances for the year then ended; and that the combined financial statements will include COFAM, The Fine Arts Museums Foundation (FAMF), and FAM as recorded on the books of the City and County of San Francisco; and be it

FURTHER RESOLVED, That PricewaterhouseCoopers is also appointed to undertake a COFAM Retirement Plan Audit and a Registration Department Agreed-Upon Procedures Review; and be it

FURTHER RESOLVED, That COFAM's share of the audit cost of the combined financial statement for COFAM, FAM and FAMF plus the COFAM Retirement Plan Audit and the Registration Procedures Review will be about $85,500 including out-of-pocket costs.

On motion, duly seconded, there was no discussion among Trustees. The Board of Trustees voted unanimously to adopt the above resolution as **Board Resolution 319.**

IX. Report of the Annual Support Committee – Shelagh Rohlen, Chair and Vice President

In the absence of Chair Rohlen, Barbara Boucke, Deputy Director for Development, noted that seventeen days remain in the current fiscal year. She encouraged Trustees to consider a gift to the Annual Fund, which is $40,000 short of reaching its $3 million goal. Emily Cheung, Manager of Individual Gifts, distributed a list of upcoming *Eternal Egypt* events.

X. Report of the Fine Arts Museums Foundation – Richard W. Goss II, President

In the absence of President Goss, Mr. Parker reported that at the close of business on June 7, 2002, the endowment portfolio was valued at $65,688,738. The endowment portfolio was invested 67.91% in equities, 25.84% in fixed income, and 6.25% in alternative investments.

XI. Announcements

A. Education Council Event – September 9, 2002

Trustee Nancy Willis, Chair of the Education Committee, announced that an Education Council event is being planned for September 9, 2002 in conjunction with the *Eternal Egypt* exhibition. The program includes unearthing treasures in an Egyptian tomb, creating amulets and magic charms, learning to write hieroglyphics, and dressing up for picture-taking as ancient Egyptians or mummies. A family Education Council membership is $250 and covers participation at three events. The fee per family to attend the September 9th event is $125.

B. Guarnerius Concert

Trustee Emerita Gail Merriam, Chair of the Music Advisory Task Force, reported that Concertmaster Alexander Barantschik of the San Francisco Symphony will play the Guarnerius violin in concert at the Florence Gould Theater on Sunday, June 16th at 8 p.m.

XII. Adjournment – Diane B. Wilsey, President

There being no further business President Wilsey adjourned the meeting at 5:30 p.m.

Respectfully submitted,

Judy Gough
Executive Secretary

Note: These minutes set forth all actions taken up by the Board of Trustees on matters stated, but not necessarily in the order in which the matters were considered.

cofambtm026

COLUMBIA FOUNDATON
APPLICATION FORM
Effective June 1, 2001

Please use the following sections in the order listed below to produce your application form which, when completed, should not exceed two pages.

Date of application: 5/31/02

Applicant: Fine Arts Museums of San Francisco (Corporation of the Fine Arts Museums)

Fiscal sponsor *(If applicable):* n/a

Executive director (*name, postal address, phone number and direct extension, fax number, e-mail, website):*

Harry S. Parker III
Director of Museums
233 Post Street
San Francisco, CA 94108

Phone: (415) 750-3661
Fax: (415) 750-7686
Email: hparker@famsf.org
Website: www.thinker.org

Project contact *(name, postal address, phone number and direct extension, fax number, e-mail address):*

Deborah Frieden
New de Young Project Manager
233 Post Street
San Francisco, CA 94108

Phone: (415) 750-3612
Fax: (415) 750-3550
Email: dfrieden@famsf.org

Project description *(up to ½ page):*

The building of the New de Young Museum is one of San Francisco's most important civic and cultural projects. The project became necessary after the severe damage sustained by the old museum building during the 1989 Loma Prieta earthquake. The successful completion of the New de Young project is imperative to the restoration of one of San Francisco's cultural cornerstones. The necessity to build the museum from the ground up has also presented the tremendous opportunity to create an innovative building that could serve as a model for new art museums for decades to come.

The new museum, designed by Pritzker Prize-winning architects Jacques Herzog and Pierre de Meuron, will utilize a base isolation system for seismic mitigation, and will also provide much-needed upgrades to environmental systems. The new building will double the museum's size to 293,000 square feet, providing vastly expanded space for the rapidly growing collections, new education programs, and behind-the-scenes facilities such as conservation laboratories. The design integrates the museum with its park setting, with areas of the park merging with interior garden courtyards to maximize user experience. The new building also vastly improves access (including admission-free education program facilities) and provides even distribution of gallery space amongst the museum's culturally diverse collections.

Project budget/projected time period: Budget: $202,300,000
Project Start Date: January 1999 (Architects hired). Start of Excavation/Groundbreaking: June 2002. Start of Construction: December 2002. Project Completion: July 2005.

Organization description (up to ½ page, including year founded):

Formed in the 1972 merger of the M.H. de Young Memorial Museum and the California Palace of the Legion of Honor, the Fine Arts Museums of San Francisco are among the major arts institutions in the western US. The Museums provide their community and region with the highest quality exhibitions, programs, education and outreach, and care for, interpret, and foster the continuing development of San Francisco's collections.

San Francisco's first public museum, the de Young Museum was founded in 1895 at the close of the California Midwinter International Exposition. Throughout its history, the museum has been one of the premier centers for visual arts in the western United States, attracting prominent national collections and serving as the primary west coast venue for major international traveling shows. The de Young collections are among the most diverse and extensive in western US, including 18th- and 19th -century American Art, 20th-century American Art, the Ancient and Native Arts of the Americas, African Art, the Arts of Oceania, and international textiles.

Organization budget and fiscal year:

FY01-02. $44,595,888

Previous Columbia Foundation grants for the project (if applicable, list by year and purpose):

n/a

Other financial support for the project *(total amount secured* *and* *total amount pending for the grant period, including time period covered):*

Gifts of $1 million or more (41 Donors)	$126,592,381
Gifts $100,000 - $999,999 (84 Donors)	$ 17,001,186
Gifts $10,000 - $99,999 (285 Donors)	$ 6,928,116
Gifts $1,000 - $9,999 (2,764 Donors)	$ 3,782,604
Total Amount Secured to Date (5/31/02)	$154,532,742 (5,687 Donors)

Project/organization accomplishments (up to ½ page summary of accomplishments for the past year):

The de Young Museum closed to the public on December 31, 2000 to begin deinstallation and preparation for demolition, at which time Museum programs were consolidated at the Legion of Honor. In February 2001, the de Young Art Center opened at 26th and Irving to ensure the continuation of the de Young's valuable education programs and resources during the construction period. In Spring 2001, an offsite collection management facility was installed in South San Francisco to house the collections, conservation labs, and offices for registration, curatorial, and administrative staff. Hazardous material removal in the old de Young building took place during the second half of 2001. In January 2002, the new museum's Environmental Impact Report was certified by the SF Board of Supervisors. Demolition of the old de Young building took place from March – May 2002, in preparation for excavation and new construction.

Tax status (check one): _X_ 501©(3) (attach a copy of the IRS determination letter) ____ Government agency ____ Other (explain): Date of Incorporation: (COFAM): 1987 Date of last audit: 10/30/2001	Program category (check only one): _X_ Arts and Culture ____ Human rights ____ Sustainable Communities and Economies

The New de Young Museum in Golden Gate Park

Executive Summary

The building of the New de Young Museum is vital to the continuation of one of the City's most prominent cultural institutions, and represents the tremendous opportunity to create a new model for the American art museum of the 21^{st} century.

The rebuilding of the de Young became imperative when the old structure was severely damaged during the 1989 Loma Prieta earthquake. The building was subsequently assigned the City's highest hazard rating. Studies of the damage concluded that renovation would be difficult and not cost-effective. After the narrow defeat of two bond measures to secure public funds for the project, the Trustees moved forward with plans to rebuild the entire museum through a private fundraising effort, rather than risking further delays.

Architects Jacques Herzog and Pierre de Meuron were selected to design the new museum, with the local firm of Fong & Chan serving as Architect of Record. The plan of construction calls for demolition of the old facility and construction of a new 293,000 square foot building. The New de Young will consist of three floors, one below ground and two above, along with a 144-foot Education Tower. The three-level design allows the museum to double in size while actually reducing the museum's footprint in the park.

The goals of the project are: ▪to assure safety for the public, the staff, and the artwork; ▪to improve access to the museum for all visitors; ▪to accommodate the growing collections through expanded galleries and environmental, storage, and conservation upgrades; ▪to enhance the museum experience for all visitors; ▪to broaden capacity for art education programs for people of all ages and interests; ▪to restore the de Young's popular temporary exhibition program; and ▪to maintain economic viability and support the City of San Francisco.

Construction of the new de Young will feature a base isolation system for seismic mitigation, as well as environmental and fire protection system upgrades to protect the City's art collections. To facilitate access and create new public spaces, a significant portion of the museum will be accessible to the public for free. This includes museum spaces dedicated to education programs, including the Children's Gallery and the entire Education Tower, which includes classrooms, a public reading room, the Resource Center for Education, and the Artist Studio. Gallery space is vastly expanded to accommodate collection growth, and is more evenly distributed among the many diverse collections the museum houses. The design of the new museum also integrates the building with its park setting, including the creation of garden courtyards and views into these courtyards and the park itself. The de Young's popular temporary exhibition program will be restored in a 12,000 square-foot portion of the building, one of the many elements that will strengthen our institution's economic viability for decades to come.

The project continues to move forward on schedule. The Environmental Impact Report was certified in January 2002, and demolition of the old structure has taken place from March through May. Excavation will begin in June, and new construction will commence December. Substantial completion of the building is scheduled for October 2004, and the new museum will open to the public in July 2005.

Fundraising continues strong. To date, FAMSF has raised $154.5 million, from over 5,600 donors, towards a $165 million fundraising goal. The Museums are also in the process of securing tax-exempt Municipal Revenue Bonds through ABAG to manage cashflow and offset the gap between the fundraising goal and the $202.3 million cost of the project and its related expenses.

The New de Young project completes a master building plan that has already seen the successful renovation of the Legion of Honor and secures the safety of museum visitors and the collections. The building of the New de Young is essential to the museum's future, but this necessity has also presented the tremendous opportunity to expand gallery and education spaces and to re-envision the museum, its programming, and its capacity to serve all audiences for future generations.

1. Need for the Project

The building of the New de Young Museum is one of the most important projects in our institution's history. Successful completion of the project is imperative to the continuation of one of the west coast's premier arts institutions, a cornerstone of the cultural and civic vitality San Francisco since its founding in 1895.

The old de Young Museum was severely damaged in the 1989 Loma Prieta earthquake. The building was subsequently assigned the City's highest hazard rating (one rank short of requiring immediate demolition). While exterior steel bracing was installed in 1992 as a temporary measure to stabilize the building, plans to replace the structure with a new building became a top institutional priority.

Beyond seismic concerns, other areas deemed necessary to correct include insufficient fire suppression and detection systems; hazardous materials; climate control upgrades to preserve the City's valuable art collections; and inadequate plumbing, electrical, and security systems; and accessibility for disabled visitors.

The obligation to rebuild the de Young has also provided a tremendous opportunity to build a brand new museum building from the ground up. The old de Young building was comprised of eight incongruous structures assembled over time as new structures were added and old ones were significantly modified or torn down. The rebuilding has allowed for a new design that will: optimize visitor experience; expand galleries for the growing collections; expand dedicated spaces for Education programs; increase access; and attract all audiences to an enriching experience of art produced by cultures throughout the world.

2. Plan of Action

Studies of the damage concluded that renovation of the existing structure would not be cost-effective, calling for total reconstruction. Two ballot measures to secure public funds for the rebuilding, in 1996 and 1998, gained majority support from voters but fell short (by 4% in 1996 and 2% in 1998) of garnering the necessary 2/3 majority vote required. Rather than risking further delays, the Trustees thus moved forward in 1998 with plans to rebuild the museum through a private fundraising effort.

A Request for Qualifications and Proposal was sent out in October 1998, and proposals for the new museum project were submitted by a number of top international architects. In January of 1999, the Trustees selected Jacques Herzog and Pierre de Meuron to design the new building. The architects have worked closely with staff, Trustees, and the public to ensure the new building meets the needs of the institution and those it serves. Herzog and de Meuron are among the most respected figures working in architecture today, winners of numerous international awards (including the esteemed Pritzker Prize in 2001) and designers of such projects as the Tate Gallery of Modern Art in London. The de Young promises to be their most important building design in America. The local firm of Fong & Chan has been hired to serve as Architect of Record. Landscape architect Walter Hood, chair of the Department of Landscape Architecture at U.C. Berkeley, has been recruited to design the new de Young's garden landscaping, integral to the project's concept of integrating the building with its park setting.

The plan of construction for the New de Young Project includes demolition of the existing de Young Museum facility (which has been largely completed at the time of this writing) and construction of a new 293,000 square foot facility. The Asian Art Museum formerly used a portion of the old facility and is in the process of moving to its new Civic Center location.

The New de Young will consist of three floors, one below grade and two above, along with a 144-foot Education Tower. The program for the new museum includes gallery space, a main lobby, education spaces, inner courtyards, café, museum store, an education tower, curatorial and museum administration offices, a loading dock, art storage and conservation labs, and other museum-related spaces. The new museum will be built on the same Golden Gate Park site as the old building, maintaining the museum's historic location. The three-level design allows the museum to double in size while actually reducing the museum's footprint in the park.

The project's Environmental Impact Report was approved in December 2001 and certified by the San Francisco Board of Supervisors in January 2002. Demolition of the old structure took place from March through May. Excavation will begin in June, and new construction will commence in December 2002. Substantial completion of the building is anticipated by October 2004, after which reinstallation of the collections will take place. The new museum will open to the public in July 2005.

3. Goals of the Project

The goals for the New de Young project, as originally outlined in 1998, has been to construct a new facility that will allow FAMSF to:

- assure safety
- improve access to the museum for all visitors
- accommodate the growing art collections
- enhance the museum experience for all visitors
- broaden art education programs for people of all ages and interest
- restore the temporary exhibition program
- maintain economic viability and support the city of SF

The overarching goal of the project is to ensure the continuation of the de Young Museum, and to position it for future growth and an even greater role in the cultural, civic, and educational life of San Francisco and the Bay Area for decades to come.

4. Methods/Strategies to Achieve Goals

Assuring Safety:

Construction of the new de Young will utilize a base isolation system, the most state-of-the-art and effective means of mitigating seismic activity, to help ensure the safety of the public, the staff and volunteers, and the art. The new building will also: create an environment free from hazardous materials (such as asbestos and lead); provide code-compliant, museum-quality Heating/Ventilation/and Air Conditioning systems; provide code-compliant, museum-quality life safety and fire detection/suppression systems; improve staff work areas to meet museum and occupational health and safety standards; provide a state-of-the-art security system; and improve art delivery, movement, and handling systems (including a loading dock and newly-configured art registration, storage, and art handling areas to allow for maximum efficiency and safety in art handling workflow).

Improving access to the museum for all visitors:

A significant portion of the museum will be accessible to the public free of admission. This includes the grand central court at the heart of the museum and spaces dedicated to educational programming and resources (including the Children's Gallery and the entire Education tower). Visitors entering the museum will be able to purchase tickets and enter the galleries at a few secured points, but will not need to pay for admission to participate in educational activities or to utilize such facilities as the Resource Center for Education and the Public Reading Room. This will ensure that all audiences are served and that admission is not a barrier to participation in education programs.

The new museum will also provide full access for visitors with disabilities, to be overseen by the staff Access Coordinator and the Advisory Committee for Access. Direct access to the lower-level from the planned underground parking structure will help ensure visitor safety during evening events.

Accommodating the growing art collection:

Collection gallery space in the New de Young is vastly expanded from 27,886 sq. ft. to 58,760 sq. ft. Gallery space will be more evenly distributed amongst all collections (including the arts of Africa, Oceania, the Americas, and textiles) to provide a more culturally balanced display of the museum's diverse collections. Each collection area will be housed in galleries designed to suit the particular needs of the objects (i.e. traditional galleries for historic American art, higher ceilings to accommodate large-scale contemporary art, and more free-flowing spaces with built-in cases for AOA objects), and each will be directly accessible from the main central court (eliminating all hierarchy in the collection gallery layout).

"Interstitial" display areas between collection wings will allow for rotating installations addressing cross-cultural themes and common motifs shared by the arts of different cultures and different regions of the world. Possible topics include "mother and child" themes, and an inclusive history of the "Art of the Americas" encompassing cross-cultural influences between Native and Euro-American cultures.

Behind-the-scenes facilities for collection care are also expanded and upgraded, including expanded art storage facilities with upgraded storage units, and expanded conservation laboratories for Paintings, Objects, and Textiles.

Enhancing the museum experience for all visitors:

The new de Young's "open" design and admission-free areas are representative of a conscious effort to orient the museum as a truly public place, reaching out to the broadest audience and at the same time maximizing visitor experience. Selective use of glass within the museum will allow visitors to experience the greenery of the park and interior garden courtyards while inside the museum. More than any other art museum in San Francisco, the de Young's collections reflect a collective experience of the arts of many different cultures and times, and the design of the new building has been created to reflect an institutional aspiration to serve as a cultural "common ground" for all San Franciscans.

Broadening art education programs for people of all ages and interest:

Over the decades, the de Young Museum has served as one of the Bay Area's primary centers for art education. The New de Young will allow for significant future growth in education programs and resources with expanded spaces dedicated to education programs (which currently stand at over 50 ongoing programs).

These spaces include the 2,000 sq. ft. Children's Gallery, a multipurpose space for art activities as well didactic displays, resource materials, and computer access to the collection database. The education tower will feature three classrooms, a public reading room, the Resource Center for Education, and the Artist Studio/public interactive space. Other educational spaces include the new Textiles Study Center and a 4,000 square foot auditorium. Overall, space for education is expanded from 7,869 sq. ft. in the old de Young to 19,850 sq. ft. in the new building. Admission-free access to these education spaces will ensure accessibility for all audiences and allow the museum to better serve the Bay Area's art education needs.

Restoring the temporary exhibition program:

Throughout the 20th century, the de Young served as the west coast's premier venue for international traveling exhibitions. This ended in 1997 when federal indemnification for traveling shows was suspended due to the condition of the building. The new de Young will restore this vital part of the program schedule, which has historically been the museum's most popular offering and a key revenue-generating vehicle.

The temporary exhibition galleries of the new de Young are 12,000 square feet and will be located in the museum's underground level. The underground level will have its own lobby, accessible from the main court on the ground level and from the underground parking structure. The project will allow the de Young to once again attract the most important international traveling exhibitions to Golden Gate Park every year.

Maintaining economic viability and support the city of SF:

The new de Young will restore revenue streams from attendance lost when the museum closed to the public. Furthermore, significant attendance increases over pre-1997 figures are anticipated (the Legion of Honor, for example, continues to draws 135% more visitors annually over pre-renovation totals), as well as memberships and other forms of philanthropic support. The return of the temporary exhibition program to the de Young will restore one of the most important revenue-generating vehicles to the museum, and expanded revenues are anticipated from all soruces of earned income, including admissions, café and bookstore sales, and space rentals by third party groups. Overall, the new museum will not only restore economic strength to the institution but also facilitate significant expansion of the museum's economic capacity. Visitation, use, and overall interest in the new de Young will furthermore expand FAMSF's contribution to San Francisco's economy through visitor support of local restaurants, hotels, and retail establishments.

Table: Space comparison of old de Young and the New de Young Museum

Primary Museum Spaces:	Old de Young (sq. ft.)	New de Young (sq. ft.)
Temporary Exhibition Galleries	10,644	12,000
Collection Galleries		
American through 19th Century	14,079	14,000
20th Century American	3,676	11,100
Art of Africa	2,007	6,800
Art of Oceania	916	10,000
Ancient and Native American Art	2,690	6,500
Textiles	4,518	4,560
Interstitial Galleries	--	3,000
Flexible Gallery	--	2,800
Children's Gallery	610	2,000
Other Education Facilities/Library	7,259	12,350
Auditorium	--	4,000
Textile Study Center	--	1,500
Restaurant/Café	2,085	6,500
Museum Store	3,486	5,000
Event Spaces/Other Public	13,193	25,300
Conservation Labs	4,885	8,250
Other/Behind the Scenes	45,845	95,450
Circulation/Miscellaneous	30,256	61,890
Total	**146,149**	**293,000**

5. Project Timeline

Design Architects Selected	January 1999
Old de Young Closure	December 2000
Deinstallation of Collections	Spring 2001
Hazardous Material Removal	Fall-Winter 2001
EIR Certified	January 2002
Demolition	March-May 2002
Excavation/Groundbreaking	June 2002
New Construction	December 2002
Anticipated Substantial Completion	October 2004
Museum Opens to the Public	July 2005

6. Anticipated Challenges & Strategy

The Fine Arts Museums of San Francisco have already met and successfully faced a number of challenges that have occurred during the short history of this project, and is prepared to meet any future challenges until the project is complete.

Completion of Fundraising and Ensuring Proper Cash Flow:

Among the early challenges to the project was the narrow defeat of two bond measures (in 1996 and 1998) to secure public funds for the new building. Rather than risk further (and potentially devastating) delays, the Trustees initiated plans to raise funds for the new building privately. A testament to the philanthropic and community-minded support from the Bay Area community, FAMSF has raised $154.5 million to date from over 5,600 donors (toward a fundraising goal of $165 million).

As co-borrowers, the Corporation of the Fine Arts Museums (COFAM; the private nonprofit arm of FAMSF) and the Fine Arts Museums Foundation (which manages, among other things, FAMSF's Endowment) are in the process of securing $143,000,000 in tax-exempt Municipal Revenue Bonds through the ABAG Finance Authority for Nonprofit Corporations. The Revenue Bonds serve two purposes: 1) as pledge payments will be received over a period of several years, the Bond financing will ensure cash flow throughout the duration of the construction; 2) Bond funding will be applied to construction, and unrestricted cash raised through fundraising will be placed in interest-bearing investments. Over the course of the loan, the net revenue will offset the gap between the $165 million fundraising goal and the $202.3 million total project cost.

Maintaining Fiscal Stability During Closure Period:

Closure of the de Young and the loss of its revenue streams, have placed a significant but necessary financial burden on FAMSF until the new de Young opens. The recent downturn in the economy and the decline of tourism post-September 11 have further complicated income streams. Measures taken to maintain a balanced budget include an early retirement offering in 1999 in anticipation of de Young closure, reassignment of museum guards to other city posts, selected 5% and 10% across-the-board spending cuts, and the one-time use of unrestricted. Despite these challenges, FAMSF ended FY00-01 with a balanced budget and projects a balanced budget once again for FY01-02. Balancing the operating budget will continue to require vigilance and resourcefulness on the part of the board and staff until the new de Young opens in 2005, at which time FAMSF's economic strength will be restored and greatly enhanced.

7. Impact and Significance of Project

The building of the new de Young is one of San Francisco's most important cultural and civic projects in recent history. It is necessary to ensure the museum's future. It will provide necessary upgrades over the old facility and much-needed expansion for the growing collections and programs. It will also significantly increase access to the museum and its educational services for all audiences, restore the temporary exhibition program that has been such an integral part of the museum's program throughout its history, and restore our institution to full strength, programmatically and financially.

The necessity to rebuild the de Young from the ground up has also been a tremendous opportunity to re-envision the museum, its programming, and its capacity to serve all audiences to the highest degree possible. It has allowed our institution to design a new museum that better reflects the diversity in the collection and addresses the interconnections as well as the differences between the arts of differing cultural origin. The new museum will help position the Fine Arts Museums to continue to attract and engage new audiences and dramatically increase our capacity to meet the changing needs of the public for many decades to come.

8. Evaluation/Assessment Plan

An inclusive dialogue with the public has been essential to the New de Young project throughout its history. Numerous public workshops have been held, early in the planning process, and also during the architectural design process with architect Pierre de Meuron, in order to ensure that the new museum addresses all of the needs and the concerns of the audiences it serves. Such dialogues will continue to play an important role in the ongoing activities of the de Young during the museum's re-opening and beyond.

Upon re-opening, visitor feedback through a variety of mechanisms (comment forms, visitor surveys, electronic and written correspondence) will be integral to ensuring that visitor's needs are met. Comments and responses will be incorporated into ongoing discussions to continue to optimize programs, services, and information assistance for all visitors, and will ultimately be reflected in future long-range planning efforts.

9. Qualifications of Organization and Staff

FAMSF project and management staff constitute a highly qualified and experienced team which has already managed and overseen the successful Legion of Honor renovation project. New de Young Project Manager Deborah Frieden has 20 years of building management experience, and also oversaw the Legion project. Design Architects Herzog & de Meuron are among the top architects in the world, and Architect of Record Fong & Chan have a proven track record with numerous successful projects throughout the Bay Area and beyond.

10. Relationship of Program to Similar Programs

The New de Young project is the second part of a master building plan that responds to structural inadequacies and seismic hazard at both the de Young and the Legion of Honor. The Legion project was successfully completed in 1995 to unprecedented popularity. The new de Young is also expected to result in a significant resurgence in public interest and involvement.

Unlike many capital projects currently underway throughout the United States, the building of the New de Young is born of absolute necessity and is essential to the continued existence of the museum itself.

11. Future Plans for the Program, Including Dissemination of Results

The New de Young is a high-profile project, and continues to garner strong local, national, and international attention in the media and among scholars. It is anticipated that the new building will draw significant attention and that much will be written about the project and the building. The project and its results will also be documented by FAMSF through publication, the FAMSF magazine and members guide, and the internet.

Permitted Investments For New de Young Museum Project Bond Proceeds and Pledge Funds

(a) Government Obligations or Government Certificates;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration (FMHA) - Certificates of beneficial ownership;

(ii) Federal Housing Administration Debentures (FHA);

(iii) General Services Administration - Participation Certificates;

(iv) Government National Mortgage Association (GNMA or "Ginnie Mae") - guaranteed mortgage-backed bonds and GNMA guaranteed pass-through obligations (participation certificates);

(v) U.S. Maritime Administration - Guaranteed Title XI financing; and

(vi) U.S. Department of Housing and Urban Development (HUD) - Project notes and local authority bonds.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States of America government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System - Senior debt obligations (consolidated debt obligations);

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Participation certificates (mortgage-backed securities) and senior debt obligations;

(iii) Fannie Mae - mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal);

...continued

(iv) Student Loan Marketing Association (SLMA or "Sallie Mae") - Senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and

(vi) Federal Farm Credit System - Consolidated systemwide bonds and notes.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAm-G or AAAm and by Moody's of Aaa;

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan, provided that such certificates of deposit shall be either (i) continuously and fully insured by the FDIC, or (ii) have a maturity of not greater than 365 days and have the highest short-term letter and numerical ratings of Moody's and S&P;

(f) Savings accounts or money market deposits that are fully insured by the FDIC;

(g) Investment agreements, including guaranteed investment contracts acceptable to the Credit Provider.

(h) Commercial paper of "prime" quality rated in the highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P, provided that the maturity cannot exceed 270 days;

(k) Repurchase agreements either (a) with maturities of 30 days or less, or (b) approved by the Credit Provider.

(l) Any other debt or fixed income security specified by the Corporation, and rated in the highest rating category by Moody's and S&P, including "pre-funded" municipal obligations; and

(m) Any investment approved in writing by the Credit Provider.

Appendix B

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AMENDMENT NUMBER SEVEN

TO THE

RETIREMENT INCOME PLAN

OF THE CORPORATION OF FINE ARTS MUSEUMS

(As Amended and Restated Effective July 1, 1989)

PURSUANT TO Section 7.1 of the Retirement Income Plan of the Corporation of Fine Arts Museums (as amended and restated as of January 1, 1989 and as further amended by Amendments Number One through Six thereto, the "Plan"), the Board of Trustees of the Corporation of Fine Arts Museums hereby further amends said Plan as follows, effective as of July 1, 1998 except as otherwise provided below:

1. Section 1.18 of the Plan ("Earnings") is hereby amended to read in its entirety as follows:

> "1.18 Earnings means an Employee's compensation (as defined in Section 10.1(h)) plus, to the extent not already includable therein, any amounts that are deferred pursuant to a salary reduction arrangement under Code Section 125, 401(k), 402(a)(8), 402(h) or 403(b), under an arrangement maintained by an Employer. To the extent permitted by the Code and regulations promulgated thereunder, "Earnings" shall include imputed earnings attributable to any period of unpaid leave of absence not in excess of ten (10) days incurred by an Eligible Employee under a mandatory furlough program adopted by the Company. "Earnings" shall not include compensation in any Plan Year in excess of $150,000 or such other amount in effect under Code Section 401(a)(17) for the calendar year in which the Plan Year begins."

2. Effective as of July 1, 1997, Section 1.22 of the Plan is hereby amended to read in its entirety as follows:

> "1.22 Employee means any individual who is employed by an Employer as a common law employee. To the extent required by Code Section 414(n), "Employee" also includes any person (other than an Employee described in the preceding sentence) who pursuant to an

> agreement between an Employer and any other person (the "leasing organization") has performed services for the Employer (or any related persons within the meaning of Code Section 414(n)(6)) on a substantially full-time basis for at least one year and such services are performed under the primary direction and control of the Employer. Contributions or benefits provided by the leasing organization which are attributable to services performed for the Employer shall be treated as provided by the Employer. A leased employee shall not be treated as an Employee if (a) he is covered by a money purchase pension plan maintained by the leasing organization which provides a non-integrated employer contribution rate of at least 10% of compensation (as defined in Code Section 414(s)), immediate participation, and full and immediate vesting and (b) if leased employees constitute less than 20% of the Employer's Employees who are not highly-compensated employees as defined in Code Section 414(q)."

3. Effective as of July 1, 1999, subsection (c) of Section 3.3 ("Deferred Retirement Benefit") is hereby amended to read in its entirety as follows:

> "(c) Upon termination of employment, the Participant shall be entitled to a monthly retirement benefit commencing on his Deferred Retirement Date equal to his Accrued Benefit, adjusted to reflect the form of benefit elected. No actuarial increase shall be made to reflect the delayed commencement of benefits except as may be otherwise provided under Section 3.7(c) (relating to commencement of benefits by age 70½ or retirement, if later)."

4. Effective as of July 1, 1999, subsection (b) of Section 3.7 ("Minimum Distribution Rules") is hereby amended to read in its entirety as follows:

> "(b) Notwithstanding any provisions of the Plan to the contrary, a Participant's benefits will commence no later than April 1 of the calendar year following the year in which the later of the following occurs: (1) the Participant reaches age 70-1/2, or (2) ceases to be an Employee, provided that (2) shall not apply either if the Participant requests that distribution begin at or after age 70½ and notwithstanding his or her continued employment or in the case of an individual who was a Five Percent Owner in the Plan Year ending in the calendar year in which he or she attains 70½. However, if the amount of the distribution required to be made on such date cannot be ascertained (despite diligent efforts to do so) or if it is not possible to make the distribution because the Plan Administrator cannot locate the Participant (after having made reasonable efforts to do so), the

> distribution shall be made no later than sixty days after the earliest date on which the amount of such distribution can be ascertained or the date on which the Participant is located (as the case may be). If distribution is required to be made to an Employee pursuant to this paragraph, any benefits accrued after distribution commences shall be offset (but not below the amount initially being distributed) by the value of distributions received, in accordance with Regulations issued under Code Section 411(b)(1)(H). If commencement of benefits is not required under this paragraph at age 70½ due to the Participant's continued employment, the Participant's benefit when begun shall be actuarially adjusted to reflect such delay as and to the extent required by Code Section 401(a)(9)(C)(iii)."

5. Effective as of July 1, 1999, subsection (f) of Section 3.7 is hereby amended to read in its entirety as follows:

> "(f) If the present lump sum value (determined using the Applicable Interest Rate and the Applicable Mortality Table) of a Participant's vested Accrued Benefit exceeds $5,000 (or exceeded $5,000 at the time of any prior distribution), no distribution of any portion of the benefit may be made without the written consent of the Participant (made in accordance with Sections 4.4 and 4.5). Failure to consent to distribution shall be deemed to be an election to defer commencement of payment until the earlier of (1) the date consent is granted or (2) the Participant's Normal Retirement Date."

6. Effective for distributions after October 17, 2000, subsection (f) of Section 3.7, as amended by the preceding paragraph of this Amendment Number Seven, is hereby further amended to read in its entirety as follows:

> "(f) If the present lump sum value (determined using the Applicable Interest Rate and the Applicable Mortality Table) of a Participant's vested Accrued Benefit exceeds $5,000, no distribution of any portion of the benefit may be made without the written consent of the Participant (made in accordance with Sections 4.4 and 4.5). Failure to consent to distribution shall be deemed to be an election to defer commencement of payment until the earlier of (1) the date consent is granted or (2) the Participant's Normal Retirement Date."

7. Effective as of July 1, 1999, subsection (a) of Section 3.8 is hereby further amended to read in its entirety as follows:

"(a) If on termination of Participant's employment, the present lump sum value (determined using the Applicable Interest Rate and the Applicable Mortality Table) of a Participant's vested Accrued Benefit is $5,000 or less, payment of the benefit shall be made in a single lump sum payable without the consent of the Participant (or the Eligible Spouse, if any). The preceding sentence shall not apply if the value of the Participant's vested Accrued Benefit at the time of any prior distribution exceeded $5,000. No lump sum payment shall be made under this section after benefits have commenced without the written consent of the Participant (and if applicable, Eligible Spouse) in accordance with the procedures set forth in Sections 4.4 and 4.5."

8. Effective for distributions after October 17, 2000, subsection (a) of Section 3.8, as amended by the preceding paragraph of this Amendment Number Seven, is hereby further amended to read in its entirety as follows:

"(a) If on termination of Participant's employment, the present lump sum value (determined using the Applicable Interest Rate and the Applicable Mortality Table) of a Participant's vested Accrued Benefit is $5,000 or less, payment of the benefit shall be made in a single lump sum payable without the consent of the Participant (or the Eligible Spouse, if any). No lump sum payment shall be made under this section after benefits have commenced without the written consent of the Participant (and if applicable, Eligible Spouse) in accordance with the procedures set forth in Sections 4.4 and 4.5."

9. Effective for distributions after December 31, 2001, paragraph (ii) of subsection (b) of Section 3.9 ("Direct Rollovers") is hereby amended to read in its entirety as follows:

"(ii) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, a qualified trust described in section 401(a) of the Code, an annuity contract described in section 403(b) of the Code or an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in section 414(p) of the Code."

10. Effective for distributions after December 31, 2001, Section 4.6 ("Notice Requirements") is hereby amended by adding at the end thereof a new subsection (c), to read in its entirety as follows:

> "(c) Waiver of Minimum Notice Periods. The Plan Administrator shall not have failed to comply with the requirements of Section 4.6(a) or 4.6(b) above to provide the applicable notice at least 30 days prior to the Participant's Annuity Starting Date if,
>
> "(i) in the case of the notice required by Section 4.6(a) the Participant, after having received such notice, affirmatively elects a distribution, provided the Plan Administrator clearly indicates to the Participant that the Participant has a right to at least 30 days to consider whether to consent to the distribution, and
>
> "(ii) in the case of the notice required by Section 4.6(b) the Participant, after having received such notice, affirmatively elects a form of distribution and the Participant's Eligible Spouse consents to that form of distribution (if necessary), provided that (*a*) the Plan Administrator clearly indicates to the Participant that the Participant has a right to at least 30 days to consider whether to waive the 50% Joint and Survivor Annuity and consent to a form of distribution other than a 50% Joint and Survivor Annuity; (*b*) the Participant is permitted to revoke an affirmative distribution election at least until the Annuity Starting Date, or, if later at any time prior to the expiration of the 7-day period that begins the day after the explanation of the 50% Joint and Survivor Annuity is provided to the Participant; (*c*) the Participant's Annuity Starting Date is after the date that the notice of the 50% Joint and Survivor Annuity is provided to the Participant; and (*d*) distribution in accordance with the affirmative election does not commence before the expiration of the 7-day period that begins the day after the notice of the 50% Joint and Survivor Annuity is provided to the Participant."

11. Effective as of July 1, 1999, subsections (c) and (d) of Section 5.1 ("Pre-Retirement Survivor Annuity") are hereby amended to read in their entirety as follows:

"(c) Notwithstanding the foregoing, if the present lump sum value of the qualified pre-retirement survivor annuity (determined using the Applicable Interest Rate and the Applicable Mortality Table) is greater than $5,000, payment shall not commence without the spouse's consent (in accordance with the provisions of Section 4.4) prior to the date the Participant would have attained age 70-1/2.

"(d) If the Actuarially Equivalent lump sum value of the pre-retirement survivor annuity (determined using the Applicable Interest Rate and the Applicable Mortality Table) does not exceed $5,000, it shall be paid to the Eligible Spouse in a single lump sum payment in full satisfaction of the Spouse's rights under the Plan."

12. Effective as of July 1, 2000, subsections (b), (c) and (f) of Section 10.1 ("Code Section 415 Limitations") are hereby amended to read in their entirety as follows:

"(b) Adjustment for Early Retirement. If benefits commence before a Participant attains age 62 but on or after the Participant attains age 55, the dollar limitation of paragraph (a)(l) shall be actuarially reduced but not below $75,000. If benefits commence prior to the Participant's attaining age 55, the limitation for benefits commencing at age 62 (determined under the preceding sentence) shall be actuarially reduced to the benefit commencement age, but not below an amount which is the actuarial equivalent of an Annual Benefit of $75,000 commencing at age 55. Actuarial reduction shall be made using the Applicable Mortality Table and an interest rate equal to the greater of five percent or the rate otherwise used to determine Actuarial Equivalent benefits.

"(c) Adjustment for Late Commencement. If benefits commence of a Participant commence after the Participant attains age 65, the dollar limitation of paragraph (a)(l) shall be adjusted so that it is the actuarial equivalent of an Annual Benefit commencing at age 65 based on the Applicable Mortality Table (ignoring mortality between age 65 and the age at which benefits commence) and an interest rate equal to the lesser of five percent or the rate otherwise used to determine Actuarial Equivalent benefits."

"(f) [Reserved]."

13. Paragraph (3) of subsection (h) of Section 10.1 ("Code Section 415 Limitations") is hereby amended by adding at the end thereof the following sentence:

> "Compensation shall include, however, elective deferrals or employer contributions not otherwise includable in gross income pursuant to Code Sections 125, 132(f)(4), 402(g)(3), or 457."

14. Effective as of July 1, 2000, subsection (c) of Section 11.3 ("Restrictions") is hereby deleted.

15. Effective as of December 12, 1994, Article XII of the Plan is hereby amended by adding at the end thereof a new section 12.10, to read in its entirety as follows:

> "12.10 USERRA Amendment
>
> "Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u)."

IN WITNESS WHEREOF, the undersigned officer of the Corporation of Fine Arts Museums has executed this Amendment Number Seven this 29th day of August, 2002.

CORPORATION OF FINE ARTS MUSEUMS

By:

Title: Chief Executive Officer

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